

FINANCIAL TIMES

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US PRESIDENCY

Masterminds behind the campaigns

Page 24

Table with exchange rates for various countries including Australia, Canada, France, Germany, etc.

World News

UK postal strike talks make more progress

Post Office management and union leaders made further progress yesterday at informal talks on how to end the strike which has all but paralysed Britain's mail services.

Human rights split France distances itself from West Germany

France distanced itself from West Germany in publicly attaching a higher priority to the human rights chapter of the current East-West security talks in Vienna.

Argentine strike Argentines are today due to stage their 12th general strike

since President Raul Alfonsín took office in December 1983.

Malaysia 'injustice' The Malaysian Bar Council said that a 'grave injustice' had been done to Tun Salleh Abbas, Malaysia's former top judge, who was sacked by the King last month after a tribunal found him guilty of misconduct.

S Korea riot Hundreds of South Korean students throwing petrol bombs and stones battled riot police in Seoul after a rally against the Olympic Games.

Burma at standstill Much of Burma was brought to a standstill as hundreds of thousands of demonstrators took to the streets of Rangoon and other cities in support of a general strike.

Envoy apologises Vietnam's ambassador in London apologised for the incident in which a third secretary was seen brandishing a gun at a demonstrator outside the embassy last Sunday.

Japan bribe charge Bribery charges were filed in the opening scandal over unfair stock exchange profits which has gripped Japan.

PLO's UN call A leader of the PLO called for the UN to assume temporary responsibility for the Israeli-occupied West Bank and Gaza strip.

Soviet trial Yuri Churbanov, son-in-law of former Soviet leader Leonid Brezhnev, admitted at a Moscow corruption trial that he abused his position as an Interior Ministry official, but denied taking bribes.

Burma on strike Much of Burma was in the grip of a general strike called to intensify pressure on the Government to quit. Britons were advised by the Foreign Office to leave.

Olympics protest South Korean students clashed with police in the capital, Seoul, according to their country's leaders of blocking North Korean participation in the Olympic games.

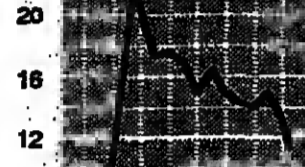
US condemns Iraq The US condemned Iraq for using chemical weapons against Kurdish guerrillas.

Business Summary

Ultramar in \$440m US takeover of refinery

ULTRAMAR, the diversified UK oil company, is expanding its oil refining and marketing operation in California with the \$440m acquisition of the Wilmington Refinery in Los Angeles County to be funded in part by a \$150m (\$210m) rights issue.

Nickel



an overdue correction to the high levels of the past few months.

TRANS WORLD Airlines, seventh largest US passenger carrier, shareholders voted to accept a proposal by Wall Street takeover specialist Carl Icahn to take the company private.

TARMAC, UK construction and building materials company, entered as a contender for the bid for Embairtel, launching a \$141.3m (\$21m) recommended cash offer for the roofing materials group.

URANIUM: Lower sales and higher operating costs combined to reduce first-half income at Anglo American Gold Corporation (Amgold), the principal gold investment arm of Anglo American Corporation, South Africa's largest mining house.

PHILIP LINDBERG, the disgraced former head of the production of the Marlboro 100 cigarettes, has been charged with government pricing policies there. Production of the brand has been transferred to West Germany.

BURMAH OIL, lubricants and fuels group, saw pre-tax profits rise by 8 per cent in first half to \$69.4m (\$84.1m). Turnover rose from \$610.3m to \$681.1m.

MORGAN GRENFELL, City of London merchant banking group, saw earnings more than halved in first half due to troubles of the financial markets.

BAA, privatised UK airport management group, abandoned discussions with KLM over joint venture which would have led to takeover of current operations and development rights of Ramada's international division.

NORUZA Securities, Japan's biggest stockbroker, is forming joint mergers and acquisitions company in Tokyo with Wascorsta Perella, 'boutique' Wall Street investment bank in which it bought \$100m stake in July.

VARIETY, the Canadian farm equipment and industrial equipment maker formerly known as Massey-Ferguson, reported fourth consecutive quarterly net profit.

EALC: Strange combination of Kuwaiti finance and a French government geological research office is bidding for control of world's leading producer of the mineral, Talca de Luzerne.

JAPANESE banks are planning to liberalise short-term prime lending rates in one of the most far-reaching moves so far in the deregulation of the Japanese financial markets.

Britain underlines opposition to EC tax harmony plan

By Philip Stephens in London and David Suchan in Brussels

BRITAIN yesterday underlined its fierce opposition to the European Commission's proposals to harmonise indirect taxes among the 12 by 1992 and detailed its own 'market-based' approach to achieving a single European market.

Mr Lawson, who hopes that his paper will set the agenda for talks on the issue at a meeting of Community finance ministers in Crete later this month, said that his plan would provide for 'increasing scope for market forces to influence tax rates' rather than 'rigid, centrally dictated indirect rates'.

The Community's members would be free to set their own indirect tax rates but the phasing out of restrictions on cross-border shopping would create market pressures towards convergence. Duty-free allowances would eventually be abolished.

An exception to this laissez-faire approach would be the treatment of alcohol and tobacco, where health considerations dictated that governments should be able to maintain an interventionist stance.

The proposals appear to fall substantially short of the 'area without internal frontiers' envisaged by article 8A of the EC Treaty. They also underline the UK's determination to keep border controls to maintain checks for drugs, terrorists and health reasons.

In a first response yesterday the Commission said that it would study 'to what extent the UK's ideas can be reconciled with the Single European Act's commitment to abolish control at the Community's frontiers,' but displayed little enthusiasm for the ideas.

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British unions give Delors warm reception on 1992

By Philip Bassett, Labour Editor, in Bournemouth

MR JACQUES DELORS, President of the European Commission, yesterday challenged the UK Government's sharp criticisms of the social aspects of the creation of a single European market in 1992.

In a warmly received speech to the Trades Union Congress in Bournemouth, Mr Delors stressed that 1992 had to have a social dimension. He said that because the internal market would be a single market, it was 'necessary to improve workers' living and working conditions, and to provide better protection for their health and safety at work.'

He said there should be a general principle that every worker had the right to be covered by a collective agreement, along with specific measures on the status of temporary workers aimed at struggling against the dismantling of the labour market.

On the left, Mr Ron Todd of the TGWU transport workers' union said it was a 'great speech'. For the centre, Mr John Edmonds of the GMB general union, said: 'Jacques Delors spoke about the unions as partners. It's a long time since we heard Margaret Thatcher talk about them in this way.'

Pentland Industries to take over Parker in £193m deal

By Christopher Parkes, Consumer Industries Editor, in London

PENTLAND Industries, the UK industrial conglomerate best known for its interest in Reebok sports shoes, is to take over Parker in a deal which values the writing instrument maker at £193m.

Financial details were not revealed, but Pentland will buy between 85 and 90 per cent of Parker for about £170m. The balance of the equity will be set aside for Parker executives who led a \$100m management buy-out of the former US company in 1986.

Mr Jacques Margry, chief executive of Parker, said that although there was no synergy between the two companies' products, he and Mr Stephen Rubin, chairman of Pentland, were 'at one' on brands.

Reebok's marketing strengths in the US and the Far East would help Parker's international development, he said. More than 60 per cent of Parker's operating profits come from Europe.

'You will not see Reebok pens or anything like that, but the strategy of building global brands is the same if you are selling shoes, pens or whatever,' Mr Margry added.

The deal resolves Parker's recent difficulties, which started when a flotation, planned for last autumn, was scrapped as world stock markets collapsed. A second attempt in June this year was aborted at the last moment after a dispute between Parker's financial advisers and its venture capital investors.

The advisers proposed a flotation valuation of £193m. The backers wanted £155m.

While Mr Margry had wanted Parker to remain independent, the option of recapitalisation would have proved too costly as interest rates increased, he said. Under new ownership the company would have access to funds for possible acquisitions and for developments such as extending the Parker product range to include other luxury goods.

Despite its troubles, Parker has prospered with its present management. Under its former US owners, now renamed as the Mampower temporary help group, Parker lost more than \$10m in the three years before the buy-out. Last year it turned in pre-tax profits of £17.5m, and results for the first half of 1988 are understood to show further gains.

Reaction from Community countries, Page 2; Editorial comment, Page 22

Drexel assures clients it could meet penalties

By Anatole Kaletsky in New York

DREXEL Burnham Lambert, the big Wall Street investment bank which was charged by the Securities and Exchange Commission on Wednesday night with dozens of insider trading and securities law violations, yesterday wrote to its clients to reassure them that it had more than adequate resources to cover possible civil penalties which might be levied by the courts.

While the SEC did not specify the penalties it would request, Drexel suggested in its client letter that the civil damages sought might be 'in the range of \$100m'. This is a relatively small sum in relation to the firm's total capital of \$2.2bn and considerably less than some legal analysts projected on Wednesday night, when the SEC's 184-page filing was made in the federal court in New York. The firm noted that, although it expected 'full vindication', it had provided substantial financial reserves for any contingencies.

Drexel, along with other defendants, including Mr Michael Milken, the celebrated head of its junk bond department, yesterday continued to protest their innocence and to insist that none of the SEC's charges would stand up. A company spokesman made it clear that the letter to clients was merely an elaboration of the statement issued by Mr Frederick Joseph, chief executive, on Wednesday.

In that statement, Mr Joseph said that the firm was not guilty of any wrongdoing. He added, however, that it was 'unfortunate these matters could not be resolved out of court'. Neither the SEC nor Drexel would say whether negotiations on an out-of-court settlement had actually taken place.

The obstacles to any such settlement would have included not only the possible cost and the effect on the firm's reputation, but the impact on individual defendants, including Mr Milken. The SEC has sometimes barred individuals from operating in the securities industry even when it has settled cases against them out of court.

From the SEC's standpoint, an out-of-court settlement might also have been unattractive if it pre-empted the possibility of criminal action.

While the US Attorney would not say yesterday whether there would be any criminal charges against Drexel or Mr Milken, there was widespread speculation that a criminal case might be brought sometime next month. Mr John Sture, the SEC's deputy chief enforcement officer, said there was no potential conflict between the SEC's present case and any possible future criminal action.

A criminal action could expose Drexel and other defendants to far higher penalties than the SEC's civil suit. These could include not only imprisonment for individuals, but also triple damages suits. However, knowledgeable lawyers remained divided about the government's chances either of bringing future criminal charges or winning the SEC's case. Some pointed out that the SEC's evidence seemed to be based mainly on allegations made by Mr Ivan Boesky, the former risk arbitrator now serving a prison sentence for securities violations. Mr Boesky, a convicted felon, might not be a credible witness.

A further problem for the SEC might lie in its inability to grant other potential witnesses immunity from future criminal prosecutions. Mr Sture noted yesterday that the SEC could immunise any testimony given in depositions to the commission's own investigators. But it could not insure witnesses against action based on separate investigations by the Justice Department.

The SEC's charges against Drexel had no noticeable impact on the US financial markets yesterday, partly because some form of legal action had been widely expected and partly because of doubts about the commission's ability to make its charges stick. Although the SEC's charges covered a far larger number of transactions than some people had expected, all of the biggest ones had been known to be under investigation by the SEC. These deals included bids and restructurings involving MGM/UA Entertainment, MCA Inc, Diamond Shamrock, Wickes Companies and Stone Container.

This applied even to the \$150bn junk bond market, in which the high yielding securities of non-investment grade companies are traded. The US junk bond market was largely Mr Milken's personal creation and has continued to be dominated by Drexel. Junk bond prices were flat to down 1/8 of a percentage point yesterday, a performance not out of line with other corporate bonds.

Junk bond emperor, Page 22

MARKETS

Table with market data including Sterling, Stock Indices, Dollar, and Interest Rates.

Mubarak attacks IMF over stance on Egyptian economy

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt has launched an extraordinary attack on the International Monetary Fund (IMF) as his Government is engaged in delicate talks in Cairo with Fund officials.

Mr Mubarak blamed the IMF to an unequalled degree, and charged that it pressures a 'single-minded' policy which is detrimental to the health of the nation.

'This is exactly the IMF: one prescription for all,' he said, 'increase this and the other... if we do this we shall increase unemployment.'

His impromptu remarks at a mass rally in a Nile Delta town reveal the frustrations of the Egyptian Government in expending in its discussions with the IMF. The Fund is insisting on faster progress towards reform of Egypt's debt-ridden economy.

Talks between Egyptian and IMF officials, which began in Cairo at the weekend, are said to be slow. The IMF is pressing Egypt to increase the budget deficit and unify its various official rates of exchange.

An agreement signed in May last year collapsed late in 1987 after Egypt failed to fulfil performance targets set by the IMF. The fund has disbursed about half of a \$DR250m (\$24m) loan to Egypt before the reform programme ran into difficulties.

Egyptian officials, concerned about possible social unrest brought on by price rises, are reluctant to agree to IMF demands for energy price increases of between 30-40 per cent. 'We need economic reform,' Mr Mubarak said yesterday, 'but I tell the IMF that this reform must be in line with our social and economic situation and the standard of living.'

Adding to pressures on Egypt to conclude an IMF agreement is its need to return to the Paris Club for a second round of rescheduling of its government and government-guaranteed debt.

Soviets in Egypt iron and steel works plan, Page 6

Sweden Voters take issue of tax reform to heart, Page 2

Indirect taxations Brussels and London drive towards different destinations, Page 3

Hungary Environmentalists challenge plan for Danube dam, Page 6

Managements Moving ideas out of Dupont's laboratory, Page 19

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Politics Today: Life in the TUC toyshop, Page 23

Lexis Ultramar; Parker; Ruberold; Cookson; Morgan Grenfell, Page 24

BANK MELLI IRAN advertisement including logo, address, and financial statistics.

Table with contents for various sections like Agriculture, Arts-Reviews, World Guide, etc.

Table with regional office for Europe, America and Far East, listing various branches.

Table with middle east branches including Cairo, United Arab Emirates, Dubai, etc.

Figures in million Iranian Rials as at 20.07.87 - Provisional and subject to final adjustments

EUROPEAN NEWS

Interest rate rises have paid off, says Pöhl

By Haig Simonian in Celle

THE WEST GERMAN Bundesbank is "very satisfied" with the results of last month's co-ordinated interest rate rises.

Mr Karl Otto Pöhl, the central bank's president, said yesterday at a news conference in this historic north German town.

Inflationary expectations had lessened, thanks to the Bundesbank's recent actions to increase interest rates, and this was reflected in the fall in long-term rates, said Mr Pöhl.

Combined with recent optimistic figures on domestic economic growth and the money supply, the signs are that the West German authorities will now be under less pressure from their foreign partners than originally expected at this month's series of international monetary meetings, culminating in the International Monetary Fund World Bank conference in West Berlin.

Mr Pöhl strongly denied the existence of tensions in the European Monetary System following the recent gyrations of the dollar.

Referring to recent reports of differences with the French Government, he said he saw no reason for either the French or

West German side to alter exchange rates in the EMS at present.

Mr Pöhl said West German gross national product growth was "extraordinarily positive" now and "much better than most of us would have expected six months ago."

He admitted that prospects for 1989 remained uncertain, but he played down suggestions that next year's planned increases in a range of consumer taxes would seriously affect West German growth prospects.

"The tax rises won't dampen private demand very much," he said. There might be some increase in private savings, "but the rise in investment demand will continue."

Mr Pöhl said the Bundesbank expected inflation to rise to 2 or 3 per cent next year. "But all in all, six years of growth without inflation is a very positive picture," he added.

He confirmed that the Bundesbank would continue to use United States-style auctions for West German government securities following a successful experiment earlier this month.

OECD alerts Turkey to need for action on inflation

By Ian Davidson in Paris

A REDUCTION in the rate of inflation must be the overriding priority for Turkish economic policy, with greater emphasis on tax increases, according to the latest assessment from the Organisation for Economic Co-operation and Development.

It describes as impressive the package of economic measures introduced early this year, in response to excessive economic growth at a rate of 7.4 per cent and a build-up in the inflation rate to some 70 per cent a year.

This package, which included increases in administered prices, new taxes, and increases in existing taxes, a halt to government investment programmes, and a tightening of monetary and credit policy, was designed to slow the rate of economic growth to 5 per cent, and the rate of inflation to 45 per cent by the end of this year.

The OECD believes that the measures are likely to dampen real activity, if continued for any length of time, and that a slowdown in the growth rate to

the declared target of 5 per cent is achievable.

The inflationary pressure is likely to be sustained for a while, however, partly because of the price-impact of higher indirect taxes, and the average inflation rate for this year is likely to be 58 per cent, considerably higher than the government target of 45 per cent.

Moreover, the report criticises the policy mix in the package of anti-inflationary measures. It questions the desirability of cutting back investment by central govern-

ment agencies and public utilities, it doubts whether the policy of containing public expenditure can effectively be imposed on large municipalities, and it stresses the drawbacks of monetary tightening, where high credit costs may be reflected in the inflation rate.

Instead, it argues that more efforts to increase government revenues are needed in order to narrow the public sector borrowing requirement, which rose last year from 4.5 per cent to 8.3 per cent of gross national product.

A slowdown in the rate of inflation and an improvement in the international competitiveness of the Turkish economy are also necessary, in the view of the OECD, if the country is to achieve a sustainable position in its foreign balance.

The current external deficit, at 1.4 per cent of gross national product is modest for a country at Turkey's stage of development, says the report, but it points out that the size of the country's foreign debt (57 per cent of GNP), and a debt-service ratio of 33 per cent

of exports of goods and services, make it desirable to stabilise the current account deficit or, better still, reduce it.

Hitherto, Turkey has sought to maintain its international competitiveness by frequent and regular devaluations of the currency, but this strategy has two big weaknesses, according to the OECD: it adds to the pressures on costs and prices, thus frustrating the control of inflation, and it automatically aggravates the burden of the foreign debt and the cost of the debt-service ratio.

Accusations in Calabria over Mafia fight

By John Wyles in Rome

THE ARREST on Wednesday of virtually the entire Roman wing of the most active section of the Red Brigades was a spectacular coup which may help offset public concern about disarray in Italy's administration of law and order.

Among the 21 active terrorists and their supporters captured in dawn raids on four hideouts in and around Rome were suspected killers with at least five murders to their credit, including those of two politicians, since March 1985.

The very successful record of police and magistrates in suppressing terrorism during the 1980s contrasts with the much patchier record against the

Mafia. After recent upheavals among the magistrates in Palermo, where the chief Mafia-fighter, Mr Giovanni Falcone, has submitted his resignation, a not dissimilar row has broken out in Calabria.

President Francesco Cossiga has asked both the Justice and Interior Ministers to investigate allegations by a deputy prosecutor at Locri, Mr Concilio Arcadi. The latter has complained of the "uselessness" of trying to fight the Calabrian Mafia, the *'ndrangheta*, because of the state's decreasing powers of initiative. His

allegations were directed against the chief prosecutor of Locri, whom he accuses of frustrating investigations.

The Calabrian magistrates have been unable to prevent the annual death tolls of more than 100 as a result of inter-Mafia struggles, or to stamp out Calabria's kidnapping industry. The *'ndrangheta* is believed to have widely penetrated the forestry service in the Aspromonte, whose wooded hills and mountains provide perfect hiding places.

Dissension within the magistracy is increasingly fanned by profound politicisation, and this week Mr Giuliano Vassalli, the Justice Minister, has come under heavy fire from sections of the judiciary for an allegedly politically motivated decision

to launch two sets of disciplinary proceedings against five magistrates in Naples.

One magistrate has made public, but unsubstantiated, allegations that senior Christian Democrat politicians, including Mr Antonio Gava, the Interior Minister, used the Red Brigades as a conduit for negotiating the release of a local councillor kidnapped by the Neapolitan Mafia.

The four other magistrates are being disciplined over the investigation of right-wing terrorism which led to the imprisonment of the late Enzo Tortora, a well-known television star, who was later absolved of involvement in terrorism.

Swedish voters take issue of tax reform to heart

NOT surprisingly for such highly taxed individuals as the Swedes, staggering under the burden of the world's highest direct taxes, the question during the election campaign of which party will do the most to reduce them has received considerable attention.

Indeed, when representatives of all the parties gathered for a pre-election television debate on the economy this week, more than a quarter of the Swedish population stayed glued to the screen for a discussion dominated by the tax issue.

The star of the evening was undoubtedly Mr Kjell-Olof Feldt, the Finance Minister, according to an opinion poll conducted after the debate. 78 per cent of viewers thought Mr Feldt outshone his competitors.

Mr Feldt's popularity stems from his successful management of the Swedish economy and he does not find it hard to boast about its strength today. Since returning to power in 1982, the Social Democrats have brought unemployment down from over 3 per cent to 1.7 per cent, almost eliminated the crippling budget deficit of over SKr85bn (£7.5bn) - 13 per cent of gross domestic product - that they inherited from the non-socialist Government, and witnessed a 60 per cent increase in industrial investment and a 20 per cent rise in industrial production.

Now Mr Feldt promises to tackle tax reform, bring inflation firmly under control (at around 7 per cent it is well above the level of Sweden's main competitors), and ensure continued economic growth.

A recent OECD report showed Sweden at the top of the league with total tax as a percentage of gross national product at 53.8 per cent last year. "We are definitely in the top class when it comes to taxation," says Mr Johan Salsbaek, tax expert at the Confederation of Swedish Industries.

And in the words of Mr Gunnar Myrdal, the late Swedish Nobel Prize-winning economist, this tax system serves only to encourage cheating and fiddling; it has long been recognised as overdue for reform.

The system has also encouraged a consumer boom, as taxpayers can reduce their burden by deducting interest payments on loans, for example for homes, boats, cars and other consumer durables. Sweden has a negative savings ratio and for a long time economists have urged the Government to abolish this form of tax reduction so that consumers are stimulated to save instead.

However, having considered the idea earlier this year, Mr Feldt has suddenly got cold feet. There are too many voters who have borrowed heavily to buy homes and Mr Feldt does not dare promise to abolish the deductions completely. Instead, the Social Democrats are pushing for a 3.4 per cent reduction in marginal taxes (which would have the effect of reducing the scale of the interest deductions) while raising value-added tax on certain goods to make up for the lost revenue.

The opposition non-socialist parties are calling for much larger cuts in income taxes which would chiefly benefit the top taxpayers, but their lack of unity over how such cuts would be funded raises serious doubts about how they would implement changes without falling out if they formed a coalition government. For example, the Liberals want to lower the basic tax threshold while the Centre Party advocates higher energy taxes.

While they have been at pains to stress that they could somehow resolve their differences once in power, they have not refrained from open wrangling at the pre-election stage over whose proposals are best. In many people's minds, the non-socialist parties are best remembered for their inability to work effectively together while in power between 1976 and 1982, and for presiding over a sick economy, though largely as a result of external factors.

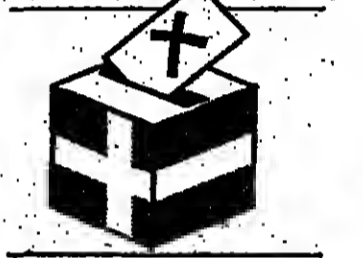
They were unable to escape the consequences of a worsening international economic sit-

uation, during which the budget deficit burgeoned, industrial production stagnated and economic growth averaged 1 per cent per annum compared with an OECD average of 2.5 per cent.

By contrast, Mr Feldt enjoys widespread popularity and enormous confidence among Sweden's industrial leaders, consistently topping polls on who should run the country's finances.

He has presided over the country's economic recovery, first devaluing the krona by 18

Swedish Elections



Sara Webb reports that, despite their high tax rates, most Swedes are happy with the country's economy

per cent in 1982 to help Swedish industry regain its competitive strength and win back market shares, and then implementing the policy of what he called "the third way." By this he meant relying on a combination of public spending cuts and higher taxes or, as he put it, "a strategy to both work and save our way out of crisis."

He has been helped by a large dose of good luck due to favourable external factors such as the drop in oil prices, international recovery and the falling dollar (which because of its weighting in Sweden's currency basket meant a hidden depreciation in the krona). These factors have helped an economy heavily dependent on imported oil and international trade.

Furthermore, Mr Feldt has continued a process of liberalisation and deregulation in the country's financial markets. His perceived weaknesses are that, contrary to what many feel is his better judgment, he is forced to bow to pressure from the trade union movement, allowing such measures as the wage-earner funds (which allow the unions to buy shares in companies using money from corporate profits), and higher turnover taxes on shares (which has served to chase business in the blue chips to London and New York) and other financial instruments.

Nor has he been as successful as hoped in keeping inflation and wage increases down in the same league as Sweden's major competitors. "As long as people expect inflation to hit at around 7 per cent, it will be difficult to keep wage increase demands below that level," says Dr Ulf Jakobsson, chief economist at Svenska Handelsbanken, who is highly critical of the political parties for failing to come up with measures for tackling inflation.

"What is required is a combination of tighter financial policy and measures to stimulate the economy... lower marginal taxes, lower subsidies and the end to monopolies in parts of the public sector."

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EUROPEAN NEWS

FT Correspondents around Europe examine how Community countries see the problem of aligning indirect taxation  
Brussels and London drive towards different destinations

THE London-Brussels clash over indirect taxation has a certain inevitability about it. Each has a different goal, a different idea of how to reach it.

ter to a half of the total cost of all border controls - estimated by the Commission at Ecu500-600 (Ecu5.000-6.000) or nearly 2 per cent of intra-EC trade - can be blamed on fiscal checks. It argues cost savings of 50-60 per cent could be made by tripling frontier-post paperwork.

grouping the wide span of VAT rates (ranging, even at "standard" rates, from 20 per cent in Ireland to 12 per cent in Spain and Portugal) into two "bands" - a reduced 4-9 per cent "band" for goods which governments want, for social reasons, to keep cheap, and a standard band of 14-20 per cent.

others, remain unconvinced that the clearing system would ensure the right amount would be paid to the right country on time. Instead, it proposes maintaining existing VAT checks, but simplifying them by "postponed accounting". This system, which means a truck driver collects a VAT stamp as he passes through a frontier but leaves it to his head office to do the paperwork later, is used by some EC members.

for VAT harmonisation, but not for the same reason as Mr Lawson. Danish officials argue that the removal of technical obstacles to internal trade is the crucial issue in creating the internal market and deny that tax harmonisation is necessary.

of goods inclusive of excise duty. Any flexibility in the latter therefore would push the proposed VAT rate bands further apart. Excise rates differ enormously between wine and tobacco-producing south and the health-conscious north.

Cockfield proposals prompt pleasure and pain

FRANCE'S new Socialist Government has yet to take a formal position on Lord Cockfield's VAT proposals, but the current inclination in the Finance Ministry is that the issue needs to be treated in pragmatic rather than dogmatic terms.

by the Bolstein Committee, concluded that a 2 per cent band-width for VAT rates, or the equivalent of the currency fluctuations permitted in the EMS, was the maximum which would avoid trade distortions.

Current VAT rates stand at 2 per cent, 9 per cent, 19 per cent and 28 per cent and to be in line with the Commission's recommended approach, they could be grouped in the 4-9 per cent and 14-20 per cent range.

role, convinced of the need for a common tax system and aiming for the narrowest range possible. Currently the standard rate of VAT is 14 per cent with a lower level of 7 per cent for spirits and a maximum value of DKr275 for other goods that can be freely imported by day-trippers.

DKr40bn(E3.3bn), or rather more than a third of its revenue from indirect taxes. Denmark's border restrictions are also among the EC's severest. There is a 48-hour rule for import of the tax-free spirits and a maximum value of DKr275 for other goods that can be freely imported by day-trippers.

Spain backs the principle of harmonisation but Mr Carlos Solchaga, the Economy Minister, has repeatedly told colleagues at Luxembourg ministerial meetings that the new rates should be introduced gradually and flexibly.

Brussels gives go-ahead for steel link-ups

THE EUROPEAN Commission yesterday gave the go-ahead to four takeovers or joint ventures between steel companies in France, Britain and Luxembourg to help rationalise output in an industry still burdened with surplus capacity.

lary of the Italian-based Riva Group. Their new company, Itatpa, will be the largest French producer of so-called straight rebars, used in the construction industry.

nor, another Saeclor subsidiary, by Compagnie Française des Foyelles, to form one of the largest steel scrap processors and distributors in France. They received clearance on the grounds that they will be unable to restrict price competition because EC scrap prices are dictated by world markets, said the Commission.

given permission to co-ordinate some of its production of long products, including heavy beams, rails and steel sheet piling, with Unimetel of France.

ment. Mr Dumas said he did not share the West German view that the West would prolong the Soviet Union's superiority in conventional weapons, if it made disarmament contingent on progress in human rights.

It is not inconceivable that we could interest the Soviets in it as well. Mr Dumas' insistence on human rights is not, it appears, a pretext to delay the disarmament process.

French stance on human rights

FRANCE yesterday distanced itself from West Germany, in publicly attaching a higher priority to the human rights chapter of the current East-West security talks in Vienna.

The new Socialist Government has come to power more firmly committed than its predecessor to the need for a positive French contribution to arms control.

Hopes raised for change in Soviet church policy

HOPES FOR an important revision in Soviet policy towards the Catholic Ukrainian (Uniate) church, banned in 1946 and persecuted ever since, have been raised by a visit to Poland by its exiled leader, Cardinal Miroslaw Lubaczewski, writes Christopher Bobinski in Warsaw.

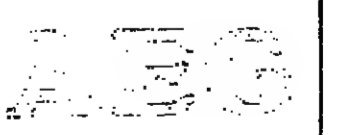
Turkish newspaper resists trial plea The Turkish newspaper Milliyet, whose editor and best-known columnist went on trial this week, has rejected a state prosecutor's demand for access to unpublished parts of an interview with a Kurdish guerrilla leader, Thomas Goltz, writes from Ankara.

Grósz begins visit to East Germany

The leader of Eastern Europe's most reform-minded nation, Mr Károly Grósz of Hungary, has begun an official visit to East Germany, whose party chief, Mr Erich Honecker, opposes economic and political reforms, writes Leslie Colitt. The two countries enjoy good relations despite their differences.

Advertisement for Geomatics featuring a large graphic of overlapping letters and the text 'Geomatics brings order into automation'. The graphic consists of various letters and symbols in different sizes and orientations, creating a complex, abstract pattern.

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## AMERICAN NEWS

## Bush and Dukakis bid high for the Jewish vote

By Stewart Fleming in Washington

"From our family to yours: Happy New Year 5479," was the greeting on a picture of Vice-President George Bush, his wife Barbara and 20 children and grandchildren handed out to delegates at the E'nai E'rith International Convention in Baltimore, where Mr Bush spoke on Wednesday. "L'shanah tova Tikateva" (Good New Year: May your name be inscribed in the Book of Life), Governor Michael Dukakis, his Democratic rival for the presidency, told the

same Jewish audience two hours later, indulging his linguistic facility.

Rarely has the battle for the Jewish vote been so vividly on display in the decades that presidential candidates have been addressing this Jewish convention.

At the end, it has to be said, it was Mr Dukakis, the candidate with an activist Jewish wife who himself grew up in the heavily Jewish community of Brookline in Boston, who conveyed the deeper commit-

ment to the Israeli cause.

But the casualty in the end may well turn out to be hopes of rapid progress towards Middle East peace once one of the two rivals takes over in the White House. For by the time the two men had finished outbidding each other in their commitment to Israel, it was difficult indeed to see any openings either had left for compromise with Israel's Arab neighbours.

Most of what both men said - no talks with the Palestine

Liberation Organisation unless it accepts UN Resolution 242, renounces terrorism, and concedes Israel's right to exist - is standard US policy. They also both rejected the creation of an independent Palestinian state.

On the other hand, Mr Dukakis's comments represented a toughening of his position since earlier in the year and he repeated his view that he acknowledges Israeli sovereignty "over its capital - an undivided Jerusalem".

In 1984 President Ronald Reagan captured an estimated 25 per cent of the Jewish vote.

The influential role in the Democratic Party being played by the Reverend Jesse Jackson, a man many Jews deeply distrust because of his pro-Palestinian stance and what some suspect is latent anti-Semitism, has raised some Republican hopes that Mr Bush will do as well or better in November. On Wednesday's showing that does not seem very likely.

## Peru drug squads face 5,000-year tradition

Miners chew the coca leaf to get through a days work, reports Sarita Kendall

ATTACKING the cocaine problem from the roots - destroying the coca plants - has often been put forward as the obvious way of cutting off supplies. But as coca growing is legal in many parts of the Andes, and as the coca leaf chewing tradition goes back 5,000 years. Eradication is not a simple matter.

Peasant farmers defend the right to grow coca by blocking roads, occupying Government offices and organising regional strikes. For tens of thousands in the Andean foothills and Amazon lowlands of Bolivia, Colombia and Peru it is the main source of income.

Substitution programmes have had to tackle the problem by finding attractive alternative crops combined with largely unenforceable sanctions against expanding coca production. Bolivia's new anti-drug law, which reduces legal growing to about a sixth of the area devoted to coca, marks an extraordinary turning point in policy. It also raises a lot of practical difficulties.

The Spanish church fought in vain against coca cultivation in the mid-16th century and then went into the growing business to profit from the spreading coca habit.

Potosi market, the leaves have tripled in price. But most miners will not work without them. "It's the only way to keep going from morning to evening - it takes away the tiredness and the hunger, and gives the will to work," said a member of the Villa Imperial co-operative.

Ritual use is just as important: coca leaves were scattered over two sacrificial flames tied to rails outside the entrance of the co-operative's mine, in an annual offering to Mother Earth. Under the UN Single Convention on Narcotic Drugs, countries were supposed to phase out coca-chewing in 25 years - that is, by 1989. Although urban migration and education have reduced the habit among young people, some 3m South Americans still chew coca and many more use coca remedies.

In setting aside 12,000 hectares of plantation (10,000 in the Yungas) for legal production, the Bolivian law acknowledges the view that coca is too strong an element of many Amazon

and highland Indian cultures to be suppressed.

The 12,000 hectares represent a realistic allocation for traditional use. The law classifies other coca growing areas into "transitional" and "illegal". The Chapare, a region of migrant peasant farmers who responded to the cocaine boom of the 1970s, is transitional. Coca growing is to be reduced

future, analysts see the law as an impressive political commitment to fighting drugs, as well as a powerful tool. Between them, Bolivia and Peru probably supply about 90 per cent of the raw materials for cocaine.

Estimates for production vary widely - not only is it difficult to measure the area devoted to coca, but the cocaine content of leaves runs from 0.25 per

cent to 0.95 per cent. Annual yields also range according to climate, altitude and plant variety, from 320kg per hectare in the Yungas to more than 1,000kg in the Chapare. Even conservative estimates put South America's commercial coca plantations at 200,000 hectares and cocaine production at over 200 tonnes.

Given the level of cocaine seizures and the way overproduction has sent prices tumbling, the 200-tonne figure seems far too modest.

The price paid for leaves also fell so low in the Andean countries that other crops - particularly coffee - could compete with coca. This was a barrier for substitution programmes.

Neither of the two political parties responsible for seeing the legislation through stands a strong chance in next year's presidential election. The Government will have to get started quickly if anything is to be accomplished - centre and left-wing parties make electoral capital out of promising to revise the law.

Regardless of its uncertain

delinquent Tebuthurion (sold under the trade name Spilo) has not been put into use because the manufacturer suddenly refused to sell it to the US Government, alleging both risk of reprisals and possible ecological disaster.

Voluntary eradication with substitution, though slow, provides a long term solution for the farmer by raising living standards. Mr Natalio Quijano, who has pulled up half a hectare of his coca plants, was building a pigsty. The UN Agronomist project had credited him with three cows, and he would pay back the loan when the first litters were born.

More than 50 communities in the Yungas have benefited from roads, schools, medical posts and water supplies, on the understanding that they plant no more coca - if new patches appear, work on infrastructure stops.

The new law specifies that 5,000 hectares of coca in the Chapare must be replaced by mid-1990. The cash for crop substitution is, apparently, available but foreign experts working in the Chapare are continually threatened, and peasants depend directly on the cocaine market, so the extent of processing their own coca production into paste. On past experience, those who take the cash for crop substitution rarely invest wisely, and it is hard to find readily marketable crops with the qualities of coca - which can not only be harvested all the year round, but needs little care, goes on producing for more than twelve years and keeps well.



Chilean anti-riot police use a water cannon against members of the Sebastian Acevedo movement Against Torture protesting on the steps of Santiago's central library. Four people were injured.

## Peru's shock economic plan attacked

By Veronica Baruffati in Lima

THE SHOCK plan announced by the Peruvian Government on Tuesday night, aimed at reducing the fiscal deficit and inflation and increasing international reserves, has been received critically by all sectors.

Conservative groups admit drastic measures were necessary but say that they are incomplete and incoherent, and that if they are to be applied piecemeal, inflation will continue to increase.

Mr Roberto Persivale, president of the Exporters' Associa-

tion (ADEX), said it was ironic that an anti-inflation plan which openly promoted exports would in fact jeopardise exporters after the initial 10-day period during which production costs have to be fixed for the 120-day freeze period.

"The new exchange rate will only favour us for 10 days and after that we will be worse off than last month," Mr Persivale said.

Mr Rafael Villegas, president of the Confederation of Private Financial Institutions (Confep), said inflation in September would reach 125 per cent.

Mr Valentin Pacheco, general secretary of the General Confederation of Peruvian Workers (CGTP), described the measures as "a cruel act of terrorism" against the working class. The 149 per cent increase in the minimum salary was "a joke".

The three big unions in Peru are meeting to discuss how to co-ordinate their protest against the measures.

Meanwhile, in various sectors of Lima, basic commodities are still scarce after days of hoarding by speculators.

## UK makes World Bank share payment

By Stephen Fidler in London

BRITAIN has become the first country fully to subscribe to the \$74.8bn general capital increase of the World Bank approved by the bank's board in April.

The UK made its payment on August 31. The country is entitled to 30,450 shares at \$120.635 apiece, but only 3 per cent - or \$110m - is required as an initial down payment. The remaining 97 per cent is only callable if needed by the bank to meet obligations for borrowings or guarantees.

Norway was the first country to make a subscription of any kind.

## Move on PCBs

Canadian industries and utilities will have until 1993 to phase out the active use of the organic chemicals, PCBs, if a plan proposed this week by federal and provincial environment ministers is adopted, writes Anthony Harris.

Details of the programme are to be thrashed out next month at a meeting of environment ministers in Winnipeg.

The decision follows a recent PCB warehouse fire, which prompted mass evacuations, in St-Basile-le-Grand, Quebec.

## US investment up

Industrial investment plans in the US have been maintained at the record levels reported recently despite the mild slowdown in US domestic demand pressures shown in recent retail and employment figures, writes Anthony Harris.

The Department of Commerce said yesterday that its July-August survey of business plans showed that investment in 1988 would be 11.6 per cent higher in real terms than in 1987. This follows a 2.3 per cent real increase in 1987, and is the biggest rise since 1964.

The tropical Yungas valleys have long supplies highland mining centres with coca. Astonishingly steep terraces, just wide enough for a row of bushes, climb the hillsides. The

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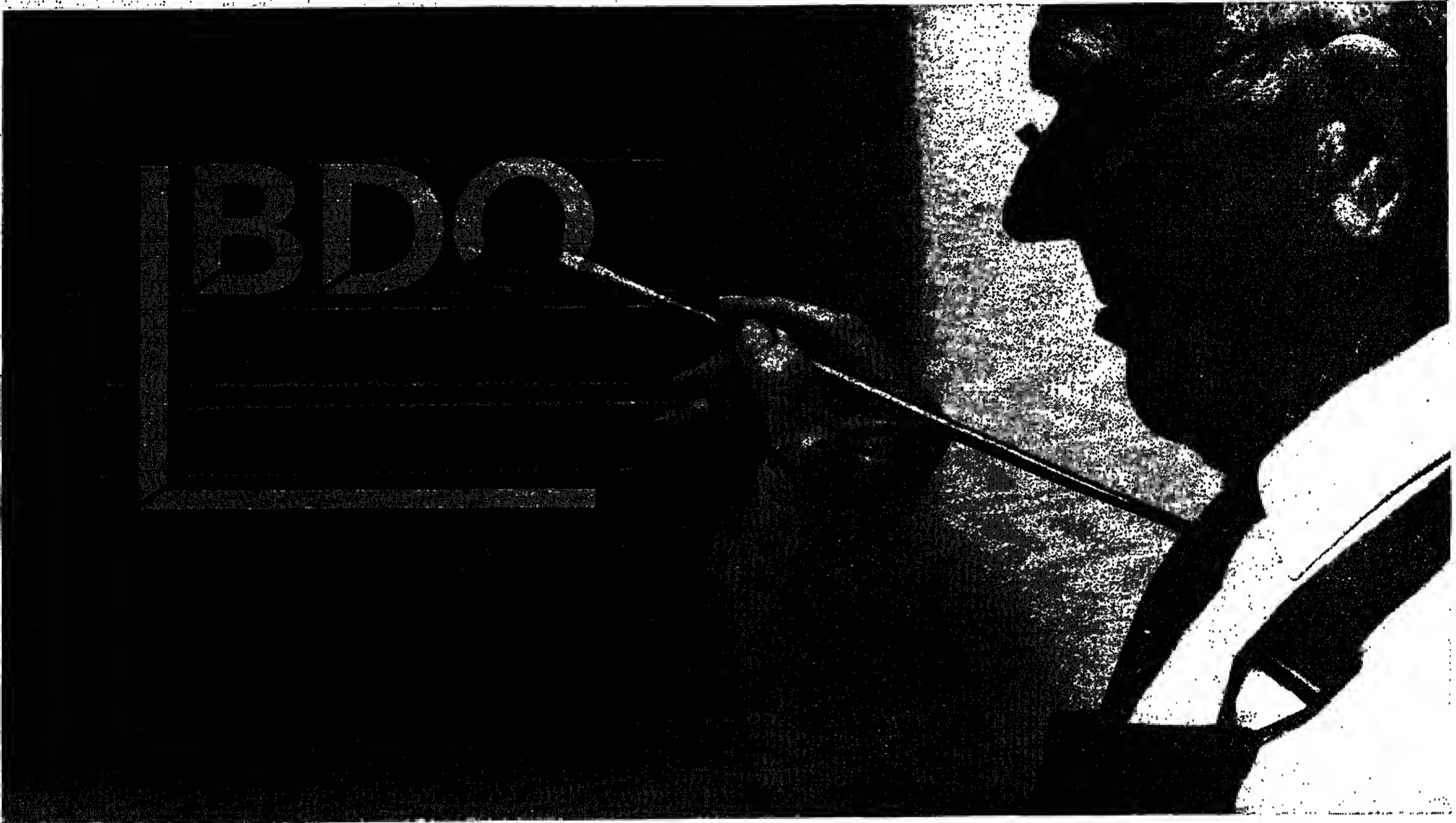


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OVERSEAS NEWS

# Strike increases pressure on Rangoon

By Roger Matthews in Bangkok

MUCH OF Burma was brought to a standstill yesterday as hundreds of thousands of demonstrators took to the streets of Rangoon and other cities in support of a general strike aimed at intensifying the pressure on the Government to resign.

Despite the huge numbers of demonstrators, diplomats said that they were well disciplined and there were no immediate reports of clashes with troops deployed around key government installations.

The army did not make any move to intervene and kept largely out of sight as protesters from all walks of life surged through the streets of the capital and applauded speeches calling for multi-party democracy to replace the apparently paralysed Government headed by President Maung Maung.

Reports from Rangoon suggested that commercial, industrial and transport sectors had been halted, with no trains running and the airport closed.

Evacuations of foreign nationals were delayed yesterday because the Rangoon Airport strike forced cancellation

# Fundamentalists split Palestinian unity

Andrew Whitley reports on a challenge to the aims of the PLO in the West Bank

**A**N OPEN split appears to be developing within Palestinian ranks over the political aims of the uprising in the Israeli-occupied West Bank and Gaza Strip.

On the one hand, key elements in the Palestine Liberation Organisation and in the pro-PLO Unified National Leadership of the Uprising (Unlu) are edging towards accepting Israel and accepting a partition of Palestine. On the other, the Islamic movement which Israel at least tacitly encouraged in the Gaza Strip during the 1970s as a counterweight to the PLO has set its face against any attempt to translate the uprising, or *intifada*, into political gains short of the destruction of Israel.

The controversy is being watched closely by interested parties from Washington to Tunis, the PLO headquarters, since it may have important implications for eventual negotiations between Israel and the Palestinians.

A contest for influence between the Islamic Resistance Movement - better known by its Arabic acronym Hamas, or "zeal" - and the mainstream nationalist leadership has been waged underground for months. From time to time cracks would appear in the edifice, but the assumption remained that Unlu was keeping the upper hand.

**A LEADER** of the Palestine Liberation Organisation yesterday called for the United Nations to assume temporary responsibility for the Israeli-occupied West Bank and Gaza Strip, Reuter reports from Nicosia.

"We call for provision of international protection to the Palestinian citizens and for placing the occupied

lands under the supervision of the United Nations for a specific time," said Mr Farouk Kaddoumi, head of the PLO political department.

Mr Kaddoumi said the PLO would put various policy options before a forthcoming meeting of the Palestine National Council.

Now, under pressure from external events, Hamas has thrown down the gauntlet. Countering Unlu's call, in its latest instruction leaflet for Palestinians to stage a full general strike in the occupied territories yesterday - the end of the *intifada*'s ninth month - Hamas has called a rival stoppage for today. It also appealed to Muslims to ignore the earlier date.

Minor skirmishes broke out between supporters of the rival groups last month, the first time Hamas tried to go it alone in the West Bank, far from its stronghold in the Gaza Strip. Shops which stayed open were attacked and petrol bombs thrown. Fears of more such incidents led to the evacuation of some of the handful of Palestinians who came to work yesterday in Jerusalem.

For all its muscle-flexing, many questions remain about Hamas: its following and organisational strength, its sources of finance and its back-

ings and proposals are a waste of time."

Unlu has replied with some harsh comments of its own. Protesting about the damage Hamas supporters have caused to Palestinian-owned property, it complained that following its own course the Islamic group was "giving great help to the enemy and a big blow to the efforts to win support for the cause from Europe."

The rebuke to Hamas was more in sorrow than anger and the door was left open for a reconciliation. But this open talk about disunity within their own ranks is troubling many of those moderate Palestinians who have lately been exhorting the PLO to take a clear political stand by establishing a provisional government and perhaps offering mutual recognition to Israel.

"The only solution to the Palestinian problem is by Jihad [holy war]," says the document. "All initiatives, confer-

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Hamas is not entirely an invention of the Shin Bet, the Israeli secret police. It certainly serves Israel's purpose. At one level, its existence has acted as a better tool than any the army has so far found to weaken the common front behind the *intifada*'s success. At another, it can be used by Israeli politicians to argue to Western governments and their own electorate - in the midst of a bitterly contested election campaign - the folly of attempting to strike a deal with the Palestinians over "territory for peace."

To substantiate their suspicions, Palestinians point to the surprising failure of the Israeli authorities to arrest and deport Sheikh Ahmed Yassin, the crippled spiritual leader of the Islamic Association in the Gaza Strip.

While the Shin Bet rounds up large numbers of relatively unimportant figures as a prelude to deportation, the immunity so far enjoyed by Sheikh Yassin - a man who previously served several years in jail after a weapons cache was found in his house - is certainly intriguing.

"There may be a lot of hot air being blown into Hamas," missed one Western diplomat this week. "But if the balloon keeps on being inflated a lot of young people are going to believe it's for real, and will join up."

# Vietnamese envoy hands 'gun' to UK authorities

By Robert Matthews, Diplomatic Correspondent

**THE** Vietnamese Ambassador to Britain, Mr Tram Van Hung, who had been asked by Britain to waive the diplomatic immunity of a junior diplomat seen brandishing a pistol in front of his embassy in London last Sunday, yesterday handed over a toy gun to the Foreign Office.

The Ambassador told Mr Timothy Eggar, British Under-Secretary of State, that he regretted the incident and agreed to the Foreign Office's request that the diplomat in question could be cross-examined by the British police and authorities.

At an earlier meeting between Mr Eggar and the Vietnamese Ambassador, the minister had produced two photographs of a Third Secretary at the Embassy, Mr Khang Than Nhan, pointing a gun at anti-government demonstrators outside the embassy in Kensington on Vietnam's Independence Day last Sunday.

Firmly informed by Mr Eggar that the British government did not permit the possession of firearms by foreign diplomats unless they had a special licence to do so and that he must surrender the offending weapon, the Ambassador yesterday produced the toy gun at his interview with the minister.

However, British officials were not immediately convinced that the toy weapon was in fact the one touted by the Third Secretary. Unless he can prove conclusively that he was only playing games and was not brandishing a real weapon, Mr Khang Than Nhan faces immediate expulsion from Britain.

# S Korea Olympic protest

HUNDREDS of South Korean students throwing petrol bombs and stones battled riot police in Seoul yesterday after a rally against the Olympic Games, Reuter reports from Seoul.

Police armed with batons prevented the radicals from marching towards the Shilla

Hotel, temporary headquarters of Mr Juan Antonio Samaranch, the International Olympic Committee president, who is staying at the Olympic Village. The protesters, led by a Communist Party official, were blocking the participation of communist North Korea in the Games, opening on September 17.

# Japan water polluted

**WELLS** used by up to 25,000 people for drinking water were contaminated by industrial waste which may contain, Tokyo officials said yesterday, AP-IM reports from Tokyo.

First indications of the pollution were known to officials more than a year ago, but the

Kimitsu city office denied suggestions that the city had waited too long to go public with the information.

Residents who were directly affected were told, but no public announcement was made because investigations were still under way, it said.

# Kenya re-detains Raila Odinga

**KENYAN** authorities yesterday ordered the detention without trial of Mr Raila Odinga, the son of a former vice president and the nation's longest-serving political prisoner before he was freed in February on a presidential pardon, AP reports from Nairobi.

Mr Odinga, who has not appeared in court since being seized on a Nairobi street 10 days ago, was detained under a law permitting indefinite detention without charge or trial. No reason was given for his detention.

The 42-year-old son of outspoken former Vice President Oginga Odinga, was arrested on August 30 by plainclothes police, according to family members who say they have not seen him since.

Mr Odinga's detention order was signed by Mr Jackson Angaine, minister

for internal security, according to Mr Bernard Chungu, the deputy state prosecutor.

The hearing was scheduled originally to consider a request made last Friday by Mr John Khaminwa, Mr Odinga's lawyer, that his client be produced in court and reason be given for his arrest.

Instead of his request being heard, the detention order was presented, and Mr Khaminwa said the High Court on Friday would decide whether or not to consider or dismiss his request.

Mr Odinga is the first person detained under Kenya's public security act since he and eight other detainees were released in February by President Daniel arap Moi, leaving three political prisoners in Kenya's jails. Mr Odinga had been imprisoned since

# Namibia talks 'will get tough'

**MR** BERT van Heerden, South African negotiator, said yesterday that it was beginning to look as though it would be difficult to start implementing a United Nations plan for independence for Namibia on November 1, Reuter writes from Braszaville.

"It's beginning to look quite tough," he told reporters on the second day of troubled peace talks in Braszaville involving South Africa, Angola and Cuba. But he added the three parties had not yet reached the point at which they would consider dropping the November 1 target date.

# Top Malaysian judge defended

By Wong Sulong in Kuala Lumpur

"A GRAVE injustice" had been done to Tun Salleh Abbas, Malaysia's former top judge, who was sacked by the King last month after a tribunal found him guilty of misconduct, the Malaysian Bar Council said yesterday.

The council, in a comprehensive 19-page report, launched a scathing attack on the integrity of tribunal and said if it had properly analysed the evidence before it, it would have come to a different conclusion.

The report said the composition of the tribunal, its rules of procedure and the manner it had gone about its work, left the impression that it was conducting not an inquiry but a trial, "and that too, a summary trial reflecting an adversarial system."

The report said the tribunal had ignored affidavits and exhibits submitted by Tun Salleh (who later boycotted the proceedings) supporting his claim that action was taken against him because Dr

Mahathir Mohammed, the Prime Minister, had accused him of bias over an appeal regarding the future of the ruling United Malays National Organisation. The tribunal, in its report, said it found no evidence to support Tun Salleh's contention.

The harshest criticisms, however, were reserved for Tan Sri Hamid Omar, the Chief Justice who took over as acting Lord President of the Supreme Court from Tun Salleh.

The Bar Council said he should not have accepted the chairmanship of the tribunal as there was a possibility of a conflict of interest. The report said Tan Sri Hamid should not be performing the dual role of tribunal chairman and acting lord president. While the tribunal was sitting, it said, he should have passed on the running of the judiciary to the most senior judge, Tan Sri Wan Sulaiman.

Instead, when Tan Sri Wan

# Charges filed in Tokyo stock market scandal

By Stefan Wagstyl in Tokyo

**CRIBERY** charges were filed yesterday in the deepening scandal over unfair stock exchange profits which has gripped Japan.

Mr Yasuoichi Narazaki, an opposition member of the Diet (parliament), filed charges at the Tokyo district prosecutor's office against Mr Hiromasa Eze, former chairman of Recruit, the company at the centre of the affair, Mr Tomonori Ikeda, president of Recruit's subsidiary, Recruit Cosmos, and Mr Hiroshi Matsuhara, a former senior Recruit official. Mr Narazaki alleged that Mr Matsuhara tried to bribe him to stop him pressing for an investigation.

The scandal erupted in June when it emerged that 76 people, including aides to top politicians, including Mr Noboru Takeshita, the Prime Minister, had made huge profits dealing in Recruit Cosmos.

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# Tutu repeats call for poll boycott

ARCHBISHOP Desmond Tutu

for making a similar statement on Sunday. He urged students to boycott the 27-month-old state of emergency in South Africa unless laws are enacted to protect the elections. The offence is punishable by up to 10 years in jail.

Archbishop Tutu, addressing several thousand students at

# Green setback for Hungarian dam

JUDY DEMPSEY reports on a controversial plan for the Danube

**THE** Austrian authorities are coming under increasing pressure from environmentalists both at home and in Hungary to review a controversial dam contract signed with the Hungarian Government.

If the contract is reviewed or even withdrawn, it will mean victory for the independent green movement in Budapest. But at the same time, it will create a huge financial burden on Hungary and a potential energy problem for neighbouring Austria.

A demonstration against the dam is planned in the centre of Budapest on Monday. And on October 5, the Hungarian Parliament, no longer a rubber-stamp institution, will debate the whole issue. Vienna anxiously awaits the outcome.

The contract involves the joint construction by the Hungarian and Czechoslovak authorities of dams at Nagymaros in western Hungary and at Gabčíkovo in Slovakia, both on the River Danube. The building of four hydro-electrical power stations entails re-routing the Danube by 150km (100 miles). The project was first agreed between Budapest and Prague in the early 1950s, despite reservations at the time about the economic value and environmental effects of the scheme. After numerous consultations while costs escalated, work finally began in the late 1970s.

But over three years ago, independent Hungarian environmental movements started to protest openly against the dam on the grounds that the re-routing of the Danube would destroy a unique underground water-filtering system, the water levels would be seriously affected and the ecologi-

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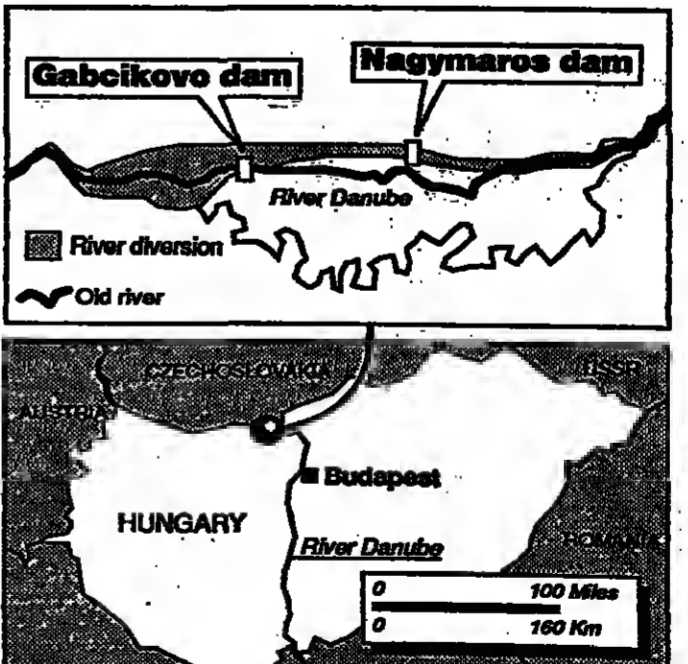
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will meet 1.3 per cent of the Hungarian national demand.

The confident environmental movement within Hungary, the Greens in Austria and even some members of the conservative Austrian People's Party (OEPF) are now openly campaigning to suspend the work.

In Vienna last Monday, Mrs Marga Hubinek, deputy President of the Austrian Parliament, described Austria's support for Nagymaros as "morally contestable" and "morally unjust." Next week, Mr Eduard Busek, head of the OEPF in Vienna, will lend his weight to the anti-dam lobby by addressing the Hungarian Democratic Forum, an independent social movement.

The growing opposition is not only causing concern in Austria. The Hungarian authorities are now openly asking what it would cost to halt the dam and pay the fines for cancelled contracts.

Failure to complete the Nagymaros project, its full name, is expected to cost Hungary around 600 million, of which 300 million would be paid to Czechoslovakia, which has unreservedly backed the project so far.

Hungary would have to pay for the 300 million to Austria and for the 300 million to Czechoslovakia for breach of contract. Restoration of the construction site would cost a further 300 million.

Given Hungary's hard currency debt of over \$18bn and its current budget deficit of 10bn, it is difficult to see where the authorities could raise the money to halt the dam. Austria could possibly step in by lending some cash. But in the meantime, the Hungarian authorities are under more pressure.

# Soviets in £120m Egypt iron and steel works plan

By Tony Walker in Cairo

**THE** SOVIET UNION has undertaken to supply heavy equipment and engineering assistance for a big expansion of Egypt's main iron and steel works under a £120m agreement. This is the clearest sign yet that the Russians are resuming a more active trading relationship with Egypt after a break of more than a decade.

Relations soured in the early 1970s, when the late President Anwar Sadat expelled more than 15,000 Soviet advisers. Mr Sadat also abrogated a treaty of friendship and co-operation, and in 1981 expelled the Soviet ambassador and members of his staff, accusing them of spying and interfering in Egypt's internal affairs.

A spokesman for the Helwan Iron and Steel company said yesterday that, with Soviet assistance, it was planned to increase production from 900,000 tons annually to 1.5m tons by 1988. The Soviets will help to modernise furnaces and supply equipment to produce better quality steel products. Much of Egypt's heavy industry was Soviet-supplied in the 1950s and 1960s, when relations were close.

Soviet aid is being provided on highly favourable terms. The loan is to be repaid over 10 years with a three-year grace period. Loan repayments are to be settled through a special sterling clearing account which covers all trade between

Egypt and the Soviet Union. Egypt exports cotton, citrus products and some handicrafts in exchange for heavy machinery and spare parts. The two countries last year settled their differences over Egypt's \$3bn (£1.5bn) military debt to the Soviets. The debt was rescheduled over 25 years, and interest claims were waived. The agreement opened the way for the resumption of supplies of spare parts for Egypt's Soviet-made military equipment.

Two-year trade has been running at about \$500m annually for several years, and there are plans to increase the volume substantially. Political and diplomatic contacts are also becoming more frequent.

# EIU report optimistic on trade growth

By Peter Montagnon, World Trade Editor

**THE** VOLUME of world trade will grow 6.5 per cent this year for the second year in a row and its rate of growth will decline only slightly to 4.5 per cent in 1989, according to the latest forecast from the Economist Intelligence Unit.

The forecast, which is more optimistic than a recent General Agreement on Tariffs and Trade projection of a 5 per cent growth this year, suggests that trade flows will grow much more strongly than economic output in the industrialised countries.

OECD output should grow 3.6 per cent this year and, following recent increases in interest rates, growth will decline gently to 2.4 per cent in 1989.

The EIU says world trade flows are characterised by a dynamic expansion of US exports - forecast to rise 15 per cent this year and 11 per cent next - as well as rising imports by Japan, but it says this will not be sufficient to balance payments.

Despite the expected changes in trade volumes the US will still have a current account balance of payments deficit of \$130bn in 1988 and Japan a surplus of \$76bn.

A further boost to world trade volume should come from rising imports by Asian developing countries.

World Trade Forecast, published by the Economist Intelligence Unit, 25 St James's Street, London SW1A 1HG, as a supplement to the latest issue of Business Update.

# Green setback for Hungarian dam

JUDY DEMPSEY reports on a controversial plan for the Danube

**THE** Austrian authorities are coming under increasing pressure from environmentalists both at home and in Hungary to review a controversial dam contract signed with the Hungarian Government.

If the contract is reviewed or even withdrawn, it will mean victory for the independent green movement in Budapest. But at the same time, it will create a huge financial burden on Hungary and a potential energy problem for neighbouring Austria.

A demonstration against the dam is planned in the centre of Budapest on Monday. And on October 5, the Hungarian Parliament, no longer a rubber-stamp institution, will debate the whole issue. Vienna anxiously awaits the outcome.

The contract involves the joint construction by the Hungarian and Czechoslovak authorities of dams at Nagymaros in western Hungary and at Gabčíkovo in Slovakia, both on the River Danube. The building of four hydro-electrical power stations entails re-routing the Danube by 150km (100 miles). The project was first agreed between Budapest and Prague in the early 1950s, despite reservations at the time about the economic value and environmental effects of the scheme. After numerous consultations while costs escalated, work finally began in the late 1970s.

But over three years ago, independent Hungarian environmental movements started to protest openly against the dam on the grounds that the re-routing of the Danube would destroy a unique underground water-filtering system, the water levels would be seriously affected and the ecologi-

# De Clerq to take EC pleas to Korea

By William Dawkins in Brussels

**SOUTH KOREA** will be asked to live up to its international trade responsibilities and curb allegedly predatory trade practices at what looks set to be a problematic meeting in Seoul with senior European Commission officials next week.

Mr Willy De Clercq, Commissioner for external trade, will outline a long list of EC trade grievances to Mr Choi Kwang Soo, the South Korean Foreign Minister, during what is likely to be the most difficult to date of the annual consultations the Community has held with Seoul since 1983.

The three-day meeting, from next Tuesday to Thursday, comes shortly after the Commission's controversial decision to slap provisional anti-

dumping duties of up to 29.2 per cent on all South Korean exports of cassette recorders to the Community.

This is only the latest in a series of lingering trade disputes between the EC and the fast-developing South East Asian states.

The mounting deficit in the consequences of South Korean protectionism at home combined with unfair underpricing in finely targeted markets abroad, Mr De Clercq will say. He will in particular renew appeals for Seoul to accord EC exporters the same legal protection against copyright infringements as given to their US competitors there. This is so sensitive that it led the EC late last year to scrap

its companies' preferential rights of access to Europe, a move which cost them an estimated Ecu50m (£33m) annually in higher customs duties.

Mr De Clercq will draw attention to the EC's anxieties over Seoul's refusal to cut capacity or raise prices in shipbuilding, which Brussels feels is doing much to worsen the current crisis in world shipbuilding.

Also on the Commission's agenda for next week is the damage it feels South Korean exports are inflicting on several sensitive sectors, such as shoes, where Brussels has sanctioned import controls in France and Italy which it is considering extending to the whole Community.

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OVERSEAS NEWS

# Philippines economy struggles unsteadily to its feet

Investment and confidence are rising against background of recession and debt, says Richard Gourlay

## Philippines to discuss new loans with creditors

**T**HE PHILIPPINE economic recovery, fragile and despite a host of provisos, has taken hold and appears to be becoming more robust and therefore more sustainable, at least in the short term.

The provisos include \$38bn of debt, domestic demand's dependence on commodity prices, low level of investments from Taiwan and Japan, and the threat of inflation.

However, economists and businessmen are becoming more confident and the economy is finally showing signs of moving out of consumption-led expansion. Real capital fixed formation is strongly ahead of last year and the value of manufacturing output is about 50 per cent up on last year.

Foreign companies already established here have seen net incomes in 1987 rise by nearly 30 per cent. Head office reluctance to reinvest profits has largely evaporated. Companies such as Coca Cola and Nestlé are augmenting their dwindling spare capacity with new investments. The optimism is shared by local businessmen, most of whom, like their foreign counterparts, have focused on domestic demand.

Statistics indicate that the Philippines is beginning to shake off the worst of the 1983-86 slump which saw the economy shrink in real terms by nearly 15 per cent. The country's gross national product for the first half of the year was up 6.8 per cent on the year before, and slightly better than the Government had hoped for.

Exports in the first four months of 1988 grew 27 per cent over last year to \$2.1bn, with big increases in non-traditional items such as garments (28 per cent to \$371m) and electronic equipment (15 per cent to \$402m).

Imports rose by 24 per cent to \$2.4bn. Although there was a 47 per cent increase in consumer goods, accounting for a little less than 10 per cent of total imports, in the much larger capital goods and raw

material categories grew by 31 per cent and 26 per cent respectively, suggesting active retooling and capital investment, economists say.

On the corporate side, the country's top 1,000 had a bonanza in 1987, with an average rise in profits of 300 per cent on an 11 per cent increase in turnover. The real estate and construction booms have arguably had the broadest impact. Condominiums, supermarkets and office blocks are not only mushrooming in Manila but in a number of provinces particularly on the island of Mindanao.

Rural earnings also appear to be on the rise - seen for example by a 40 per cent first half nationwide leap in San Miguel's beer sales, which is as good an indicator in the Philippines as the housing starts index is in the US.

While the distribution of wealth remains concentrated in few hands, the benefits of the economic recovery do appear to be trickling down to the rural poor, mainly because copra prices have risen to \$0.40 a kilo from \$0.08 30 months ago.

Lurking, however, are the inevitable problems, not least of which is the need for world coconut product prices to remain high. Officials say that coconuts produce 80 per cent of rural GDP and support 17m people, or a third of the population.

Any downturn in commodity prices will dent the domestic demand that sparked the recovery.

Other factors that put the expected 6 per cent growth into the fragile category include:  
 • the low base from which the recovery starts - GNP per head is less than \$900  
 • population growth that is out of control at 2.5 per cent a year and means that 900,000 jobs need to be created annually just to maintain employment.  
 • Fears of a balance of payments crisis resulting from the trade deficit, which is likely to reach \$1.8bn in 1988, are receding, economists say. And, brokers believe, it is the size of the

deficit that has been behind the recent weakening of the peso, which has weakened by 4.5 per cent in the past couple of months. Interest rates, at 11-12 per cent, have been used by the Philippines Central Bank to try to support the peso.

The inevitable financing gap that follows a country spending beyond its means should easily be financed with new money from commercial banks, economists say. They are likely to be asked for \$2bn to \$3bn for the next three years.

The key to a sustainable recovery, economists agree, is for the country to attract sufficient investment geared to exports rather than the limited domestic market. Even bullish business people suspect that the export-oriented investments that are arriving are short term and unlikely to lead to a great deal of local value added.

Some businessmen suspect that the right sort of new investments are not arriving yet because the Government has failed so far to create the right environment for foreign companies. "There is an inability to understand how much foreign investment is necessary to get this country back on its feet and that the funds do not exist domestically," says Mr Peter Wallace, a consultant in Manila for Business International.

"We hope the performance of the country over the 30 months under the present Government should warrant successful conclusion of negotiations," Mr Fernandez said, but he acknowledged there were tough negotiations ahead.

He said an IMF review mission which visited Manila last month was pleased with the Philippines' compliance with certain economic targets, such as domestic liquidity and public sector borrowing. "They have congratulated us on the relatively successful manner in which all the structural reforms were undertaken by this country. Quite frankly they did not expect us to do it."

Mr Fernandez said Manila also planned to sit down with the Paris Club of bilateral donors to discuss the restructuring of about \$700m of debt maturing from July 1 1988.

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 Notice is hereby given that on September 15, 1988 at 10:00 a.m. in Courtroom 1603 Federal Building, 1000 Liberty Avenue, Pittsburgh, Pennsylvania, a hearing will be held on application of Sunbeam Holdings, Inc. and Sunbeam Corporation, debtors-in-possession under chapter 11 of the United States Bankruptcy Code, for leave (a) to sell 96,000 'B' non-voting ordinary shares of Hanson Limited to Hanson Holding Corporation, Stan B. Hanssen and Eric L. Hanssen and (b) to release rights of first refusal to purchase for book value 387,000 shares of "B" non-voting ordinary shares and 26,074 "A" voting ordinary shares of Hanson Limited currently held by Hanson Holding Corporation and others, for a total consideration of \$400,000 cash payable at closing. There are issued and outstanding 26,246 of "A" voting ordinary shares and 928,000 of "B" non-voting ordinary shares. The shares to be sold constitute approximately 10% of the equity. The Articles of Association contain certain restrictions on the right of transfer.  
 Hanson Limited is an Irish company which, through its subsidiaries Hanson Industries, Ltd., Hanson International, Ltd., Hanson Products, Ltd. and Hanson (U.K.) Ltd., is engaged in the manufacture and distribution of scales and clocks. Its registered office is at 20 Eden Quay, Dublin 1. Higher and better offers will be received at the hearing. Persons interested in bidding may obtain further information by contacting Anthony Munnion of Sunbeam Corporation in Pittsburgh, Pennsylvania at (412) 562-5039.

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225	225	Am. Sav. Inv. Ord.	225	0	10.0	4.5	27.7
40	40	Am. Sav. Inv. Ord.	40	-1	-	-	-
57	57	BBB Decl. (H&M)	57	-1	-	-	-
170	155	Barton Corp.	170	0	2.1	5.5	5.9
315	300	Barton Corp. Conv. Pref.	315	0	3.3	1.9	23.0
145	131	Bay Tech. Corp.	145	0	6.2	5.8	-
314	300	Broadk. Corp. Pref.	314	-1	5.2	4.0	9.5
287	246	CCJ Group Ordinary	287	0	11.0	10.0	-
352	324	CCJ Group 11% Conv. Pref.	352	0	12.3	4.3	4.3
151	129	Carbo Pl. (SE)	151	0	14.7	9.1	-
113	100	Carbo 7.5% Pref. (SE)	113	0	6.1	4.1	9.2
315	247	George Blak	315	0	10.3	9.1	-
96	69	IBM Corp.	96	0	22.0	3.8	7.0
128	87	Jackson (SE)	128	0	-	-	-
350	295	Multihomes NY (AmSSE)	350	0	3.4	3.1	12.2
215	40	Robert Jenkin	215	-2	-	-	-
400	124	Saratoga	400	+1	7.5	4.6	4.3
275	194	Tony & Carfile	275	0	8.0	1.8	27.7
96	56	Travel Holdings (US30)	96	+2	7.7	2.8	7.7
113	100	Travel Europe Conv. Pref.	113	0	2.7	3.6	8.3
295	203	W.S. Yates	295	+1	8.0	7.4	-
			295	+1	16.2	5.5	7.9

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UK NEWS

# Vickers in £35m management buy-out deal

By Alice Rawsthorn

MANAGERS of Vickers' office furniture businesses in the UK and France have concluded negotiations for a £35.5m management buy-out to create one of the largest office furniture groups in Europe.

Vickers, a diversified industrial group with interests in defence and luxury cars, put its office furniture interests up for sale at the beginning of the year. Last month it sold the Comforto Group, a West German furniture business, for £17.5m to Haworth, a privately owned US company.

The management team has won control of a company with sales of more than £75m and more than 1,800 employees based at large plants in the UK and France, and a small filing cabinet factory in the Irish Republic.

When the buy-out is completed the company, to be renamed VF International, will

be run from the UK headquarters at Darford in Kent. Under the terms of the buy-out, which is conditional upon securing the consent of the French Government, the business will be sold for £27m including a deferred payment of £7.5m. The management team will also take on external borrowings of £3.5m.

The buy-out was co-ordinated by Equity Ventures, the venture capital arm of Security Pacific Hoare Govett. The management team, led by Mr Bob Denton as chief executive, first approached Equity Ventures in April.

Vickers decided to diversify away from office furniture because it believed it could make a better return by investing in its other areas of activity. The £53m raised by the two office furniture disposals will be divided between the group's other businesses.

# UK soldiers 'carried out frenzied attack' on IRA team

By Joe Garcia in Gibraltar

SOLDIERS from Britain's Special Air Service carried out a "frenzied attack" on three members of the IRA in Gibraltar, and one was shot four times in the head as he lay wounded, the coroner's inquest was told yesterday.

Professor Alan Watson, senior pathologist for the Government, said one of the three, Sean Savage, had been shot 16 times. Mairead Farrell had eight bullet wounds, including three in the back, and Danny McCann had been shot twice in the back and twice in the head.

Professor Watson was giving evidence on the third day of the inquest into the deaths of the three IRA members on March 6.

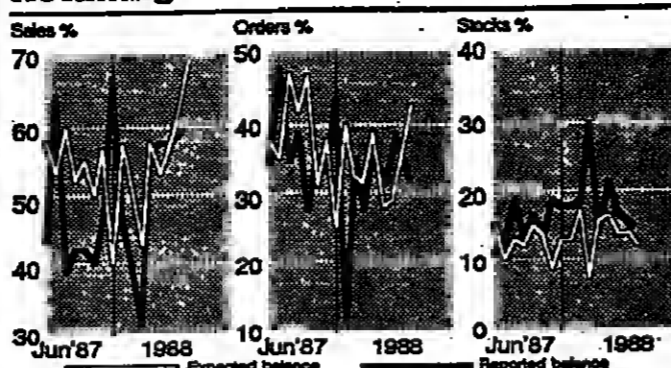
British Intelligence, the inquest heard, thought the IRA members would be armed and that they planned to detonate a suspected car bomb two days later. But it transpired that they were unarmed and that there was no bomb in the car. Explosives were later found in another car across the Spanish border.

Professor Watson said that Savage had suffered from more extensive injuries than the others. He had been shot five times in the head and five times in the back. He was also shot in the abdomen, a total of 16 shots, but he died mainly from his head injuries. Four of the shots were probably fired into Savage's brain by a soldier standing over him, the pathologist said.

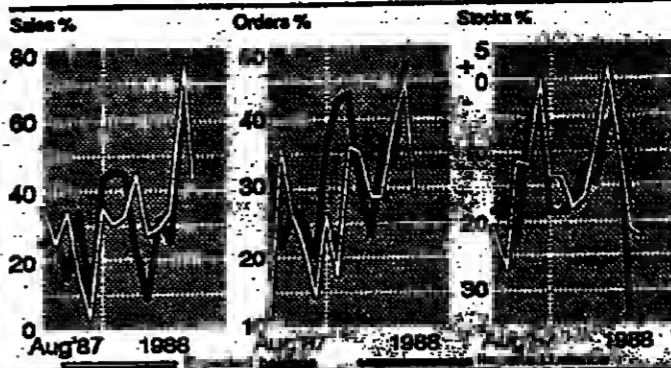
Professor Watson agreed with Mr Patrick McGrory, lawyer for the families of the deceased, that in maiming terms it could be described as a "frenzied attack." Savage, he said, would have been incapable of pulling out a gun or of pressing a switch after the initial maiming shots.

Professor Derrick Pomeroy, professor of forensic medicine at Dundee University, who has advised Mr McGrory, said he would have found it difficult to interpret the injuries had he been under similar limitations to those placed on Professor Watson, who spoke of a lack of co-operation from London.

## Retailing



## Motor Trades



### CBI-FT DISTRIBUTIVE TRADES SURVEY

## Retail sales growth still buoyant

By Ralph Atkins, Economics Staff

BRITISH RETAILERS expect buoyant sales growth to continue this month and are more optimistic about sales than in any month for the last four years.

Their optimism, shown in the Confederation of British Industry/Financial Times distributive trades survey published yesterday, contributed to a steep fall in share prices. It added to fears in financial markets that the UK economy is growing too fast and that interest rates may rise further.

By the close, the FT-SE 100 share index was down 18.3 at 1738.8. Government securities also fell, with long-dated gilts dropping almost half a point to yield 9.95 per cent.

The CBI/FT survey suggests that retail sales growth remains buoyant in spite of the 4½-percentage-point rise in interest rates since the end of May.

Of 232 retailers questioned, 73 per cent expected September sales volumes to be higher than a year ago. Only 3 per cent expected a fall.

That balance of plus 70 per cent is the highest since April 1984, when the balance was

also +70 per cent. Mr Nigel Whitaker, survey panel chairman, said it was too early to see any effect of a higher cost of borrowing. Mortgage rate rises had barely begun to affect consumers.

He said: "It remains to be seen how much impact higher

interest rates will have in the longer run, but their impact on consumer confidence could be quite substantial. Retailers are becoming increasingly cautious about the prospects for 1989."

The survey was made between August 15 and September 2, a period that included the latest 1-percentage-point rise in base rates to 12 per cent.

Retail sales have grown strongly since the middle of last year as earnings growth has outstripped retail price inflation. Sales have also been helped by a big expansion in consumer credit, and budget tax cuts.

The Government is likely to be encouraged by retailers' response to a question on over-

seas goods. Asked about the proportion of deliveries from suppliers accounted for by imports, compared with a year before, 11 per cent reported rises and 11 per cent reported falls.

That suggests no growth in import penetration and is in contrast to previous surveys' results.

However, the rate of increase in retailers' selling prices accelerated a little last month.

The balance of retailers reporting higher selling prices compared with a year before, minus those noting falls, was +82 per cent. That compared with a balance of +78 per cent in May when the question was earlier asked.

For wholesalers, growth in sales volumes slowed slightly last month but was still ahead of expectations. A balance of +40 per cent of wholesalers reported sales rises compared with a year before.

A balance of +41 per cent expect a rise this month, compared with September last year. The 149 wholesalers questioned also reported a rise in import penetration last month.

The rises in base rates since May have been aimed at controlling consumer spending but it is likely to be some months before any impact is apparent.

Financial markets, however, remain sensitive about consumers' spending behaviour. They believe that without a marked change, sterling may weaken significantly - leading to the Government engineering another rise in base rates to maintain downward pressure on inflation.

# Treasury 'will use reserves to back £'

By Peter Riddell, Political Editor

THE GOVERNMENT is prepared to use some of its official reserves to help keep sterling broadly stable in foreign exchange markets.

Senior ministers stress that the recent sharp rise in the deficit on the current account of the balance of payments should not be seen as a pretext for a devaluation of sterling. The official message is that the aim remains a stable pound to maintain downward pressure on inflation, and the Government is prepared to back its intent by action.

The official reserves now stand at just over \$50bn, having more than doubled in the past two years during the period of the pound's strength.

So far there has been little need for much intervention in foreign exchange markets. The pound has remained relatively firm following the immediate pressure in the aftermath of the poor July trade figures.

However, the Treasury wants to make plain its readiness to respond, if necessary, if the markets do test its sterling policy in the coming weeks. Ministers are keen to dissuade any parallels with the position two years ago, when the Government accepted a sharp fall in the pound's value as a one-off response to the halving of the oil price.

Mrs Margaret Thatcher, the Prime Minister, is apparently fully behind Mr Nigel Lawson, the Chancellor of the Exchequer, and the Bank of England on this approach.

The official emphasis on being prepared to support sterling is part of the attempt to reassure the markets in the light of recent nervousness over the current account and rising inflation.

Ministers believe that short-term interest rates are the right way to deal with these domestic problems. No emergency fiscal action is planned this autumn, and credit controls have repeatedly been ruled out.

Ministers are also confident that the current rise in the annual rate of retail price inflation is only a temporary blip, which will be halted next year, rather than the start of an underlying acceleration.

# Hope for post talks

FURTHER progress was achieved yesterday in informal talks aimed at ending the strikes which have virtually paralysed Britain's mail service, writes Michael Smith.

Union leaders said the atmosphere in the discussions had improved although there was still a danger of the talks breaking down.

The Post Office said it was more hopeful of a breakthrough than it had been on Wednesday.

Mr Alan Tuffin, general sec-

retary of the Union of Communication Workers, left Bournemouth a day before the end of the Trades Union Congress to return to the union's headquarters in London.

Neither he nor Mr Bill Cockburn, managing director of Royal Mail Letters, took a direct part in the discussions.

Mr Alan Johnson, the post union's assistant general secretary, and Mr Bryan Roberts, personnel director of Royal Mail Letters, were both involved.

# Suzuki safety moves

By John Griffiths

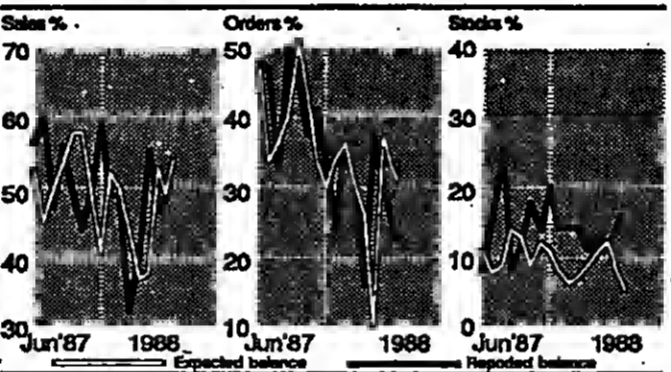
SUZUKI GB, the Japanese vehicle importer, is taking legal advice on possible redress against the Consumers' Association over allegations that the four-wheel-drive Suzuki SJ 410 is unsafe. However, the watchdog body is standing by results of its tests.

Yesterday's announcement by Suzuki GB follows a decision by US federal safety

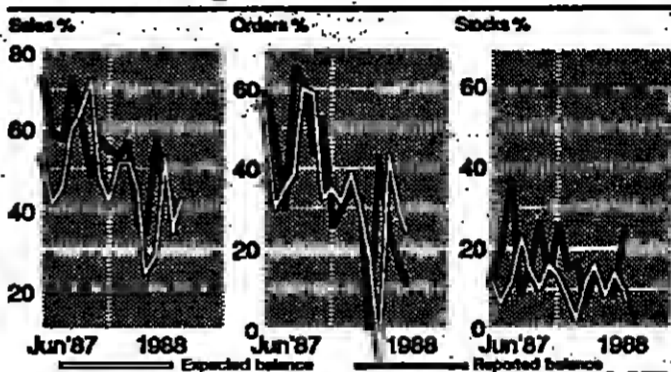
authorities to reject demands by US consumer groups for the recall of a similar Suzuki model. The US groups had alleged that it rolled over too easily.

Last night, Mr John Beishon, chief executive of the Consumers' Association, said that as far as the UK cars were concerned, the evidence from CA tests stood.

## Total distribution



## Wholesaling



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UK NEWS

**Pergamon buys state recruitment agency**

By Richard Donkin

PERGAMON Professional and Financial Services, one of the stock market companies chaired by Mr Robert Maxwell, the publisher, has bought Professional and Executive Recruitment, the Department of Employment's executive recruitment agency, for £4m.

Mr Norman Fowler, the Employment Secretary, announcing the sale yesterday, said the privatisation was breaking new ground as the first mainstream civil service activity to move into the private sector. He said that it was too early to commit himself to the sale of other departments. "I would like to see how this operates before looking further," he said.

PER, which places more than 2,500 middle managers in jobs every year, has a national network of 32 offices with about 250 staff and headquarters in Sheffield, northern England. It was set up in 1974 to provide consultancy and advertising recruitment services which included the publication of a newspaper, Executive Post, sent each week to 110,000 executive job seekers.

The agency, operating under a break-even financial target, had an operating deficit of £12,000 in 1987/88 on revenues of £9.4m, of which £3.3m related to commercial consultancy and publications and £3.1m was accounted for by Community Programme and other Government-related work.

Under Pergamon it will be able to expand into the lucrative head-hunting and higher executive recruitment areas in the growing recruitment services business.

The PER acquisition is part of a wider programme to create an international recruitment services organisation under the Pergamon umbrella. PER will be the flagship of a division which will include Squires Appointments, an agency with 11 branches in the South of England which Pergamon has contracted to buy for £4.7m.

The third addition is expected to be Human Resources, the executive search subsidiary of AGB Research, the market research group which last week recommended a £134m takeover offer from Pergamon.

TRADES UNION CONGRESS IN BOURNEMOUTH

**Congress backs away from mistrust of EC**

By Charles Leadbeater, Labour Correspondent

THE TUC yesterday unanimously adopted a wide-ranging motion and accompanying report that accepts the need to work within the EC, in an attempt to ensure that the creation of a single European market for goods and services in 1992 is accompanied by a social dimension of stronger rights for workers and unions.

The vote, which followed an address to the Bournemouth Congress by Mr Jacques Delors, the president of the European Commission, marks a fundamental shift in the British unions' approach to the European Community.

Most unions campaigned strongly against Britain's entry into the EEC in 1971. However, introducing yesterday's debate on 1992, Mr Norman Willis, the TUC's general secretary, warned members that their participation could not be grudging if they were to win gains from Europeanisation.

Mr Roy Gammison, general secretary of Apex, the office workers' union, proposing the motion, said it marked a historic turning point in the TUC position on Europe.

The 1990s would be the age of the European union, able to



Jacques Delors addresses the TUC conference

match the power of integrated European companies. Mr Douglas Hoyle, of the MSF, general technical union, told delegates. The motion calls on the TUC to cooperate with other European unions to establish opportunities for common EC-wide bargaining. The TUC will in addition press the European Commission to set up formal tripartite meetings of unions, employers and governments.

It also commits the TUC to campaign through the Euro-

pean TUC for a charter of workers' rights including industrial democracy; protection of employees' interests during takeovers; common sickness, retirement and pensions; retraining for workers made redundant; and provisions outlawing sex discrimination in employment.

The TUC will also conduct a detailed analysis of the impact on employment of the creation of the single market.

**Rejection of training is not total**

By Jimmy Burns

CONFIRMATION that individual unions, including the TGWU general workers' union, will continue to co-operate with the Government's controversial Employment Training scheme, despite the TUC vote to boycott it, surfaced yesterday during a debate on the construction industry.

In a tacit endorsement of his union's continuing participation in ET through the Construction Industry Training Board, Mr Albert Williams, general secretary of Uoat, the main construction union, urged the TUC to put greater emphasis on training so as to insure that the industry was not taken over by "highly trained European craftsmen".

Mr George Henderson, a national officer representing construction workers in Britain's largest union, the TGWU, echoed his union's condemnation of the Government's training record. However, he underlined his unions' past and present involvement with the CITB and suggested that his union had been misrepresented as being totally intransigent on the issue.

**Fraternal delegates at the TUC**

Jimmy Burns meets some of the foreign visitors in Bournemouth

THE UNION leader representing most members at this year's Trades Union Congress in Bournemouth is not, as most people think, Mr Ron Todd, general secretary of the 1.2m strong TGWU, general workers' union.

The most powerful trade unionist is Mr Huan Rujie. But he walks unnoticed around the conference centre. For Mr Rujie is the secretary of the All China Federation of Trade Unions, which has 8m more members than the TUC's 9m.

Mr Rujie, on his first-ever fraternal visit to a TUC Congress, declared himself greatly impressed by a slogan he had seen in the corridors of the conference centre. "Your union working for you". That is a very good slogan. It is indeed the duty of a

union to work on behalf of its members," he commented. Beyond that he seemed to have very little else to say.

Mr Juan Moreno, a Spanish delegate, was rather more talkative. He said he was "shocked" by the position taken by the EETPU electricians' union - expelled from the TUC on Monday over two disputed company agreements - and its ramifications.

"The stand taken by the electricians is against fundamental trade union principles of solidarity and I think it will be viewed as such not only in Spain but throughout Europe."

He had spent part of the week listening to TUC delegates bemoaning Ford's decision to move an electronics plant originally planned for Dundee, Scotland, to Spain. As a Spaniard, Mr Moreno

found it difficult to understand the fuss about TUC splits and single-unionism. He is a member of the Communist Comisiones Obreras, one of two major rival trade union centres which have for long co-existed in Spain.

Nevertheless, far from hoping that the British would take their cue from the Spanish example and allow the EETPU and its allies to set up a rival trade union organisation, Mr Moreno had nothing but praise for the concept of an undivided and single TUC.

"One of the reasons that Government and employers don't mind multi-unionism in Spain is because a relatively small number of Spanish workers are unionised," he commented. "In Spain we would be much stronger if there was single trade union centres like the

TUC."

Mr Vsevolod Mozhaev, a Soviet trade unionist representing the Prague-based World Federation of Trade Unions, attending his seventeenth TUC, is the doyen of the fraternal foreign delegates.

Mr Mozhaev was full of the spirit of perestroika, openness and democracy. "There are many issues of common concern here... the social implications of 1992 and health and safety for example... all trade unions in the world should co-operate on this," he said. But even such Soviet trade union openness appears to have its limits. His verdict on Mr Eric Hammond, the EETPU's general secretary, "Mr Hammond does not help perestroika because of his anti-Communist prejudice."

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UK NEWS

### UK leads in race for Hitachi Seiki plant project

By Nick Garnett in Chicago

HITACHI SEIKI, Japan's sixth largest machine-tool company, is planning to produce in Europe with a plant in the UK being the front-running project.

The company makes computer-controlled machining centres and lathes and last year had worldwide sales worth \$230m.

Hitachi Seiki is an independent company unconnected with the Hitachi conglomerate. The word Seiki means "precision".

It has discussed setting up a joint venture production operation with companies in Britain. The company recently bought out Terex Berger, its UK distributor, renaming it Hitachi Seiki UK.

Yamazaki of Japan, one of the world's biggest machine-tool makers, is increasing output at its \$35m plant opened in Worcester last year.

Mr Masao Naka, Hitachi

Seiki's director of overseas operations and a member of the main board, yesterday said areas other than the UK had not been ruled out.

However, Mr Naka said plans were not far enough advanced to decide whether to invest in a greenfield production site or a joint venture.

European machine-tool makers have been worried that opening up the European market in the 1990s would ease Japanese penetration.

Japanese machine-tool makers already have about 30 per cent of European sales of lathes and machining centres but their share is more than 70 per cent in the US.

Mr Naka emphasised the importance of a more unified European market. Hitachi Seiki has a small assembly facility in Congers, New York, and has started building a larger assembly facility in Huntsville, Alabama.

### Mitutoyo in move to Telford

By Terry Dodsworth, Industrial Editor

MITUTOYO, one of the world's leading precision measuring instrument companies, yesterday became the tenth Japanese company to set up production operations at Telford in Shropshire.

The company's announcement follows a rapid increase in Japanese investment in Telford, where six Japanese companies have decided to develop in the last two years.

The town first attracted Japanese capital when Maxell, the audio tape group, moved there in 1983. Since then, Japanese investment has risen to a total of around £120m, about half of it accounted for by NEC, the diversified electronics group.

Mr David Thomson, managing director of Mitutoyo in the UK, said yesterday the company would be spending just over £5m on its first Telford plant, which was expected to employ between 50 and 100 people. At least 60 per cent of the components in the products were likely to be sourced in the UK, he added.

Mitutoyo established its first wholly-owned subsidiary in the UK only eight years ago, expanding since then to a turnover of £15m a year.

Growth in the last few years had been particularly rapid, Mr Thomson said, because of the increased awareness for higher-quality products in Britain.

### W Europe 'needs more airports to cut delays'

By Michael Donne, Aerospace Correspondent

EFFORTS to ease air traffic congestion over Western Europe will achieve success only through the construction of additional runways and new airports, according to a special task force set up by the International Air Transport Association.

The association, representing more than 170 of the world's airlines, called for a study earlier this summer into airspace and airport congestion, which had led to long delays for air travellers.

A statement, issued yesterday by the chairman of the task force, Captain Dick White, chief operating officer of Aer Lingus, the Irish airlines, said that the solution to the problem was often beyond the scope and control of individual airport authorities.

He said they could not by themselves take decisions to build the new facilities.

Mr White said: "Government decision-makers must recognise that if there is to be true liberalisation of air transport in Europe, then there must be a commensurate increase in the capacity of the air transport infrastructure."

"One cannot continue to expect to have all of the benefits of liberalisation, such as increased competition, lower fares, etc, without making the difficult political decisions, such as construction of additional facilities or the alleviation of environmental operating restrictions and night curfews."

The task force said that planning, designing and constructing a new runway took a minimum of five years and a new airport at least 10 years.

It said that the much higher volume of traffic in Europe expected around the year 2000, which was likely to be about double the present level, could be achieved only by the introduction of improved technology in air traffic control systems.

### Rolls-Royce in joint jet study

By Lynton McLain

ROLLS-ROYCE and Gulfstream Aerospace Corporation of the US are studying engine and aircraft designs for a possible supersonic business jet aircraft for service at the end of the century.

Gulfstream Aerospace has committed itself to spending up to \$20m (£12m) each year for the next three years on an engineering study for a supersonic business jet, Mr Allen Paulson, Gulfstream's chairman and chief executive, said yesterday.

The aircraft would be expected to travel at one and a half to two times the speed of sound, carrying 10 to 12 passengers and two crew.

It would have a range of 4,000 statute miles and be about 100 ft long, with a wingspan of 50 ft, a gross weight of 20,000 lbs and a cruise altitude of about 60,000 ft.

Sir Ralph Robins, managing director of Rolls-Royce, said the company was working on studies for a supersonic business jet engine that might be used for the new Gulfstream jet.

Mr Paulson said he expected that Gulfstream would eventually expand its design from a supersonic business jet to a supersonic airliner. The company was "looking at technology to get rid of the sonic boom."

### Airbus opens bids for A-340 suppliers

By Our Aerospace Correspondent

AIRBUS INDUSTRIE, the European airliner manufacturing group, has begun selecting sub-contractors and equipment suppliers for its new A-330 twin-engine, medium-range and A-340 four-engine, long-range airliners.

Over 600 suppliers around the world will be involved, with companies bidding from the UK, US, Austria, Australia, Canada, China, Greece, Italy, India, Japan, Korea, Portugal and Yugoslavia.

In addition, the four leading partner companies of Airbus are collectively spending a further \$10m on extra facilities.

These include new hangars at Toulouse built by Aerospatiale, extensions to the runways at the Bremen and Hamburg factories of Messerschmitt-Bölkow-Blöhm in West Germany, and extensions to the wing factories of British Aerospace at Chester, Manchester and Filton.

### Long Fokker 100 offered

By Michael Donne, Aerospace Correspondent

FOKKER AIRCRAFT of the Netherlands is to offer a stretched version of its Type 100 twin-engine jet airliner, with 130 seats against the present 100-seat version.

This has been made possible by the launch, announced this week, by Rolls-Royce of its more powerful version of the Tay jet engine.

Dr Reinier Van Duinen, president of Fokker Aircraft,

said at the Farnborough International Airshow that full-scale development would depend on winning enough launch orders. Deliveries of the bigger aircraft might start within three years of a formal launch decision.

Dr Van Duinen also said that Fokker was discussing with the airlines a proposal to enlarge its other main product, the Fokker Type 50

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FIG. 1



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FIG. 2



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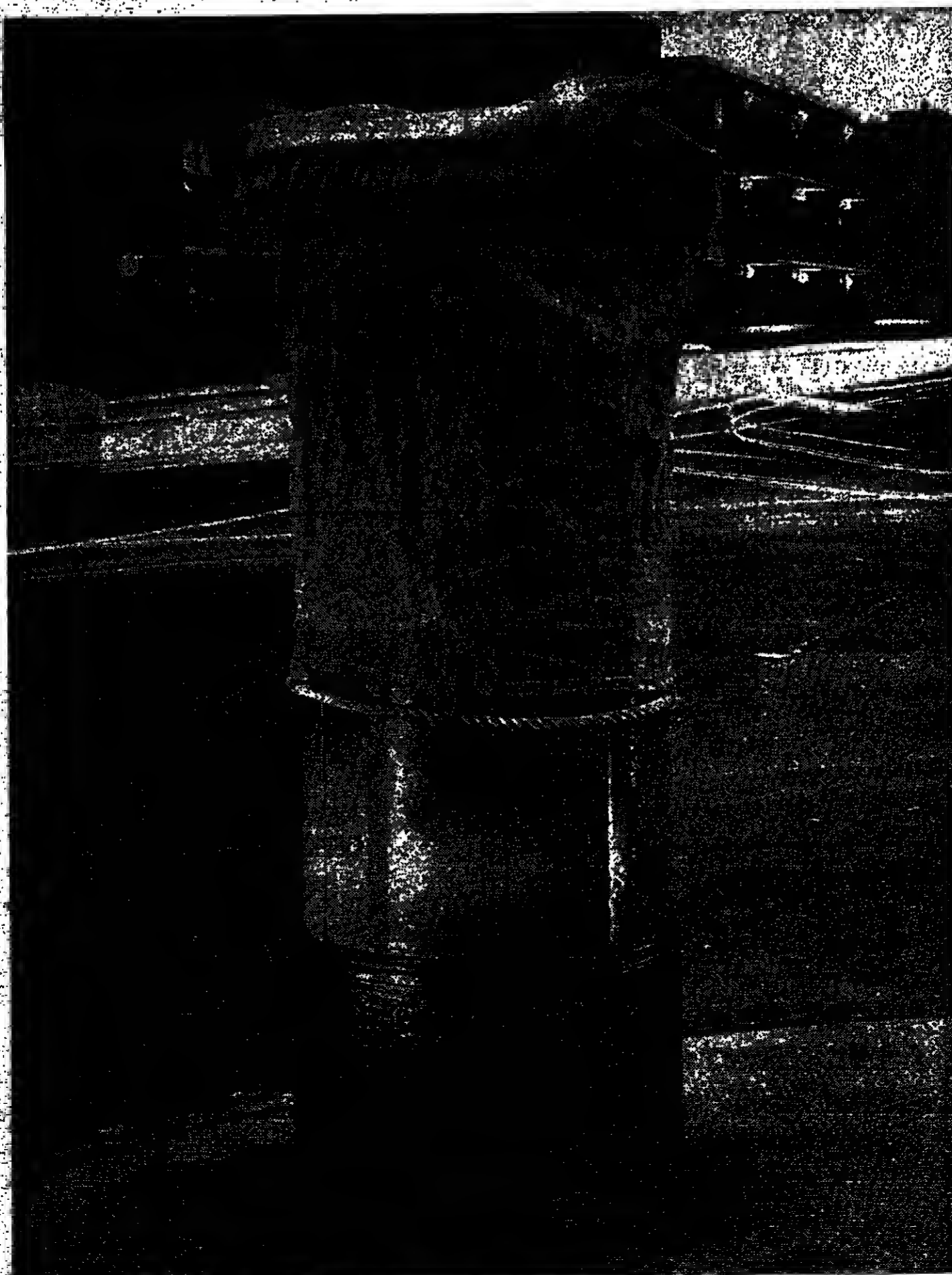
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THE PROPERTY MARKET

The crane syndrome is a City of London complaint. Its manifestations are nervousness in the aftermath of the equity market crash, made more acute by the low volume of securities trading. It is set off by the sight of cranes on the skyline hovering over all the new office space about to come onto the market.

# Crane syndrome stalks the skyline

Paul Cheeseright reports on caution among lending institutions towards City development

John Cameron, executive director of County NatWest, the investment bank, spotted the crane syndrome and noted its relevance to bank lending for City property developments. "Credit committees do see this," he says. "There has been greater caution in the lending market since last October, because, as Cameron puts it, "it is not just the crash but the continuing malaise in the securities markets and the effect this will have on office demand from the securities institutions, although demand holds up from other firms and rents are still maintaining their high levels - particularly for well designed new buildings."

On top of this comes the new environment of higher interest rates. "That may have a bigger impact than the crash in terms of slowing up the pace of development although we have not seen all the repercussions yet," says Cameron.

There are a lot of unanswered and probably unanswerable questions about where the market for City property is going and how exposed are the property development companies. It has not escaped notice that the 1974 property crash was caused at least in part by a sudden rise

in interest rates and the choking off of demand for space. Nor has it escaped notice that the amount of bank lending to property companies has spiralled upwards and that the Bank of England expressed concern about it even before the October market crash.

But the total picture is a fuzzy one. The only consensus is that, although this picture is not as bright as it was a year ago, conditions are not like 1974 and that the market is still led by demand.

First, take the cranes and the amount of construction coming out of the ground. Kevin Clarke of Jones Lang Wootton, chartered surveyors, comments: "If everything under construction at the moment was all built and there were no takers, you'd be talking about a vacancy rate - the proportion of the total stock that is unoccupied - of 6 or 7 per cent. That is not high."

In the City, the vacancy rate has been the lowest of the major financial centres at between 1.6 and 2 per cent, compared with a mid-town New York vacancy rate of 15 per cent.

But there is much more potential space in the pipeline if all the planning consents are taken into account. If all that is built then there really would be a problem, but there are few who believe it is conceivable.

Recent buying by developers has tended to concentrate on buildings where there is a stream of rental revenue, so that the financial charges are not looked after and there is no pressure to develop. Greycoat, for example, does not have to redevelop Moor House on London Wall; it can simply nurse the rents along.

This raises the second point. Given the crane syndrome, there is little enthusiasm among the banks for lending on projects where there is too much hope in the financial appraisals.

All banks will say that their lending policies are prudent, based on strict criteria. They could not be expected to say anything else. Typically they will demand that the developer has some equity, say up to 20 per cent, in the project and they will be prepared to make loans of up to 80 per cent of the cost of the project, or around

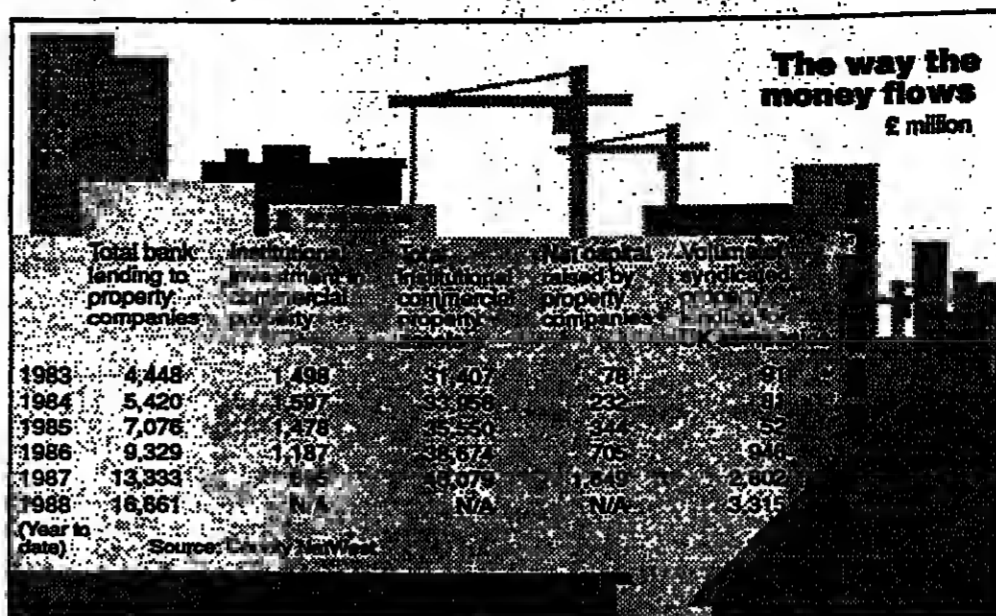
65 per cent of its completed value.

That applied before last October, as well, but there seems little doubt that last year some banks were prepared to lend funds on the basis of project values inflated by an expectation that rents would rise. Now they are more likely to demand that project values are computed on the basis of rents as they are now, in the market place.

That said, there is still a huge amount of bank money at large in the property sector, and this is the third point in trying to find the lines of the fuzzy picture. Bank of England figures track the increase in lending: £9.3bn at the end of 1986, £13.3bn at the end of 1987 and now £16.6bn.

But these figures relate to the whole of Britain. They concern not commitments from banks, but money drawn from banks, and they depend on the way in which the lending banks make their returns to the Bank of England. So they are vague.

Jones Lang Wootton estimates that of the total outstanding, 55 per cent probably



relates to central London and of that, it thinks up to 40 per cent relates to the City proper. It guesses, and emphasises it is guessing, that there is between £4bn and £5bn of short term finance active in the City.

On a surer ground, it has calculated that last year property development companies spent £945m on the acquisition of land and buildings, but that the rate of purchases slackened in the first half of this year to £300m.

At any rate, the borrowed money is attracting interest payments. So the fourth point of fuzziness is the extent to which property development companies will be hurt if interest rates stay at their present

levels for any length of time.

There is a point of departure here from the 1974 crash in that, since then, banking instruments have become increasingly sophisticated. It is possible to hedge interest rates so that development companies do not have to work on a cost plus basis but on the knowledge of fixed financial costs. What is not known is the extent to which the companies have availed themselves of this possibility.

There is also the fact that a high proportion of the construction in the City is pre-let, so that much of the contracted expenditure by property development companies is already underwritten by contractual

income. In these cases, and even if there is no interest rate hedging, the worst that can happen to a developer is a reduction in margins. This might be painful but would not necessarily be disastrous.

The next factor about the rise in interest rates is that there was a move in the property industry to shift from variable rate to fixed rate debt through the issue of debentures and so on.

This move was characteristic of the property investment companies who took the opportunity before rates went up to raise long term funds. But the role of the property investment companies in the City market

is larger than that of the development companies.

In a report last year, County NatWest and Baker Harris Saunders, chartered surveyors, stated that only 13.5 per cent of proposed new office supply is being undertaken by property trading companies on short term finance.

The report also calculated that 45 per cent of proposed development is being undertaken by the UK corporate sector, as opposed to, say, foreign owner-occupiers or financial institutions, and that of this corporate investment, 75 per cent was represented by the proposals of six property investment companies.

All of this suggests that although sentiment in the City property market may have changed, and perhaps with good cause, the market itself is not teetering on the edge of an abyss. But there will be some pretty hard thinking about the medium-term prospect.

These prospects need to take into account all the developments in London Docklands, Kings Cross, Holborn Finsbury and Farringdon. They need to take note of the likely impact of the imposition of value added tax on property transactions next year and rating revaluations and the introduction of the uniform business rate from 1990.

For those with a taste for coincidence, the last rating revaluation came into effect the year before the 1974 property crash. But precedent need not equal necessity.

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**COMPANY NOTICES**  
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**ANNOUNCEMENT OF RESULTS**  
The results of the annual general meeting for the year ended 30 June 1988 with the comparative results for the year ended 30 June 1987 are as follows:  

	1988	1987	Accountable Copper
Revenue	1,621,200	1,441,400	2,346
Expenses	464,828	320,983	3,464
Operating Profit (before tax)	1,156,372	1,120,417	11,880
Operating Profit (after tax)	882,306	852,347	3,500
Dividend per share	20.88	20.88	20.88
Dividend in arrears	11,068	14,819	
Total dividend	19,956	35,698	
Cash dividend	19,956	35,698	
Share dividend	267	267	

  
The directors will report on the above at the annual general meeting. The directors will also report on the results of the mining operations and the status of the company's exploration activities. The directors also report that the company has secured a new contract for the supply of copper concentrates to the Royal Mint for the year ending 30 June 1989. This contract is a significant achievement for the company and will provide a steady stream of income for the next few years. The directors are confident that the company's financial position is strong and that they will continue to strive for the highest standards of performance in the future.

**Gencor Group**  
Gold Mining Companies  
DIVIDEND DECLARATIONS  
NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to members registered at the close of business on 23 September 1988.  
The registers of members of the companies will be closed from 25 September 1988 to 7 October 1988, both days inclusive.  
The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom offices will be made in Sterling at the rate of exchange prevailing on 25 October 1988, or the first day thereafter on which a rate of exchange is available. Dividend warrants will be posted on 4 November 1988.  
In the case of non-resident shareholders, taxation of 15 per cent will be deducted. The full conditions of payment may be inspected at or obtained from the London office.  

Company	Class of share/stock	Dividend (Rand)	Amount per share/unit (cents)
Bracken Mines Limited	Ordinary	52	15
Company number 55/01/26/06			
Klerks Mines Limited	Ordinary	41	140
Company number 63/08/29/06			
Leslie Gold Mines Limited	Ordinary	48	25
Company number 55/01/24/06			
Uniflex Gold Mines Limited	Ordinary	18	50
Company number 72/06/04/06			
Witbank Mines Limited	Ordinary	57	145
Company number 55/05/06/06			

  
By Order of the Boards  
per sec GENCOR (UK) LIMITED  
London Secretaries  
L. J. Barnes  
London Transfer Office  
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8 September 1988

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**NOTICE TO HOLDERS OF WARRANTS**  
MELMILK PRODUCTS CO. LTD.  
U.S. \$30,000,000 3 1/2% PER CENT PERIOD, GUARANTEED BONDS DUE 1988 WITH WARRANTS  
Pursuant to Clause 3 and 4 of the Instrument dated 17th January, 1987, the following notice shall be given:  
At the meeting of the Board of Directors of Melmilk Products Co., Ltd. (the "Company") held on 20th September, 1988, a resolution was adopted for the issue of new shares by way of free distribution, particularly in respect of the above bonds. Consequently the subscription price of the captioned warrants (the "Warrants") shall be adjusted, as specifically provided in paragraph 3 below.  
1) The free distribution of new shares will be made to the shareholders of record as of 20th September, 1988, Tokyo time, at a rate of 0.14 for each one share held.  
2) The free distribution shall be made on 19th November, 1988, but the dividends on these new shares will accrue as from 1st October, 1988, Tokyo time.  
3) Pursuant to Condition 3(f) of the Instrument, the subscription price shall be adjusted from Yen 100 to Yen 194.70 per share of the Company's common stock. The new subscription price will become effective on 1st October, 1988, which is immediately after the record date.  
THE KYOWA BANK, LTD.  
as Principal Paying Agent  
for and on behalf of  
MELMILK PRODUCTS CO., LTD.  
Dated: 29th September, 1988

**SOCIETE GENERALE**  
JPY 7,500,000,000  
REVERSE FLOATING RATE NOTES DUE 1991  
For the period September 8, 1988 to March 7, 1989, the notes will bear an interest rate factor of 3.36368%.  
The interest due on March 8, 1989 against coupon nr 5 will be JPY 536,536 and has been computed on the actual number of days elapsed (81) divided by 360.  
The Principal Paying Agent,  
SOCIETE GENERALE  
ALSA CIENNE DE BANQUE  
15, Avenue Emile Reuter  
LUXEMBOURG

No. 437 of 1988  
**IN THE HIGH COURT OF JUSTICE**  
CHANCERY DEPARTMENT  
MANCHESTER DISTRICT  
REGISTRY  
IN THE MATTER OF  
EDMONTON plc  
- and -  
IN THE MATTER OF  
THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that a Petition was on 28 September 1988 presented to Her Majesty's High Court of Justice upon the application of the above named Edmontons plc (the "Company") for the appointment of a receiver of the assets of the Company in accordance with section 87(1) of the Companies Act 1985. The Petitioner is the Company. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985.

No. 437 of 1988  
**IN THE HIGH COURT OF JUSTICE**  
CHANCERY DEPARTMENT  
MANCHESTER DISTRICT  
REGISTRY  
IN THE MATTER OF  
HERMISTON plc  
PUBLIC LIMITED COMPANY  
- and -  
IN THE MATTER OF  
THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that a Petition was on 28 September 1988 presented to Her Majesty's High Court of Justice upon the application of the above named Hermiston plc (the "Company") for the appointment of a receiver of the assets of the Company in accordance with section 87(1) of the Companies Act 1985. The Petitioner is the Company. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985. The receiver is to be appointed in accordance with the terms of the said section 87(1) of the Companies Act 1985.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.  
DATED this 8th day of September 1988  
Solicitors for the above named Company  
Singer Healey of  
71 Princess Street  
Manchester M2 4LX

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.  
DATED this 8th day of September 1988  
Solicitors for the above named Company  
Singer Healey of  
71 Princess Street  
Manchester M2 4LX





TECHNOLOGY



# Rules that struggle to stay in the race

Paul Abrahams examines the chemical and logistical problems of testing athletes for drugs

Later this month, some 12,000 athletes in Seoul will attempt to fulfil the targets of faster, higher and stronger, set by the founder of the modern Olympic movement, Pierre de Coubertin. Some will have used prescribed drugs.

The International Olympic Committee (IOC) has set up a special laboratory in South Korea so that more athletes can be tested than in any previous Olympic Games, in an effort to stamp out abuse.

The number of Olympic athletes who use substances banned by the IOC to enhance their performance is almost impossible to quantify. Estimates vary from less than 5 per cent to 80 per cent.

In the UK an inquiry, set up by the British Amateur Athletic Board and led by Peter Coni QC, reported last week that 10 per cent of leading British athletes might have used banned substances at one time.

Many believe that the figure for worldwide use is much higher. Three years ago, Daley Thompson, the British decathlete, said that as many as 80 per cent of America's international athletes and 30 per cent of Britains had used drugs to improve their performance.

What is clear is that there is a discrepancy between usage and detection because of the limits on testing. Last year, of the 37,832 samples taken throughout the world, only 864 were found positive - a rate of about 2.25 per cent.

Moreover, many of these tests showed no drugs prescribed by the IOC, but which had been used for therapeutic

purposes. For example, at the US Olympic trials this year although 3 per cent of tests were positive, only one athlete was disqualified.

Dr David Cowan, associate director of the drug control centre at Kings College, Chelsea, which is funded by the Sports Council and is the only accredited centre in the UK, explains that testing urine samples for drugs involves two complex processes.

First comes chromatography. Chemicals are extracted from the urine by a solvent. The mixture is then turned into a gas and passed through a silica column with a series of slits of between 0.25 mm and 0.3 mm in diameter. The lengths of the exit tubes vary from 10 to 25 m.

The time it takes for individual substances to reach the end of the tubes indicates their chemical structure and gives an idea of the sort of molecule involved.

The substances can then be subjected to the second process, mass spectrometry, ions within the separate materials are examined. Each chemical contains ions at different masses and intensities. By looking at the constituent ions, a form of fingerprint can be created and then matched with a library of known substances.

Cowan explains that the laboratory is looking for five main categories of banned drug (and the substances they sometimes produce in the body):

- Anabolic androgenic steroids are probably the most frequently used. Of the 864 positive tests recorded last year, 521 were for steroids.

These drugs are synthetic

derivatives of the male hormone testosterone. They are thought to help increase the amount of nitrogen retained by the body, a gas which facilitates the conversion of amino acids - which come from protein foods - into muscle.

Steroids also have psychological effects. They are understood to increase aggressiveness and to allow athletes to train harder and longer. With a correct diet, the athlete can gain muscle weight rapidly.

● Stimulants are the second most common, with 301 positive tests last year. Many are used to stimulate the central nervous system, allowing the body to tolerate higher levels of the pain-causing lactic acid created during exercise.

Stimulants also include substances which mimic natural adrenalin and noradrenalin; the alkaloid drugs, ephedrine, which are often found in cold, asthma and hay fever remedies; and others, such as benmidate, which increase the capacity of the respiratory system to place oxygen in the blood stream.

● Beta blockers are used in such sports as archery, shooting and ski jumping for their calming effect on heart rate and blood pressure. These substances block the receptors which absorb adrenalin and reduce its impact.

● Narcotics and analgesics, which act as pain killers, have been used in cycling to reduce the risk of cramp.

● Diuretics, which remove water from the body, can be used for weight loss in boxing and for diluting urine in the hope that other drugs will

remain undetected.

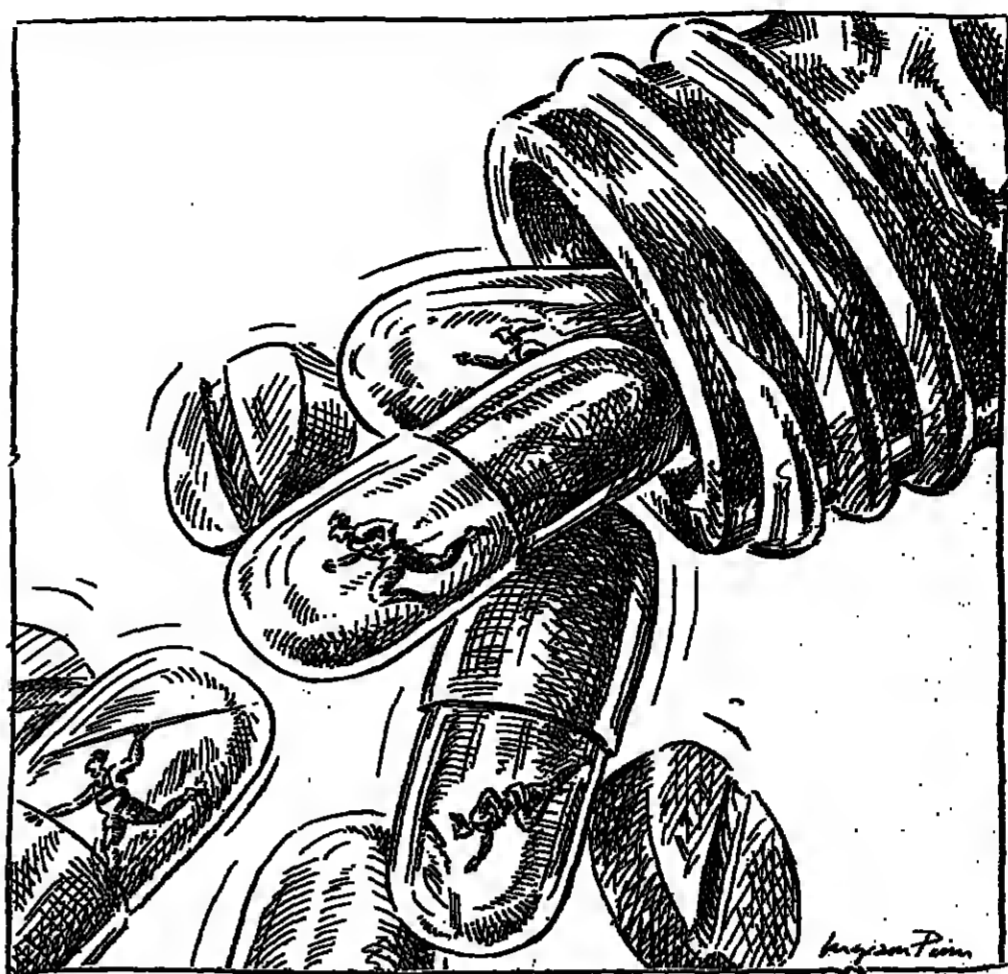
On top of searching for all these, laboratories also have to deal with the masking agents which are used to try to cover up their presence, in particular, that of steroids.

Cowan admits that it is as yet impossible to do anything about human growth hormones, which exist in the body naturally, or about blood doping, which involves the injection before a race of previously stored blood to increase the capacity of the circulatory system to carry oxygen to muscles.

The only occasion when blood doping has been discovered was when Martti Vainio, the Finnish 10,000 m runner, was injected with blood before the 1984 Olympics. The blood had been taken and stored while he was on steroids and although he had stopped taking the drugs before the Games, the old blood showed up positive in tests.

Another problem with present tests is that athletes are using increasing numbers of drugs which are not yet officially banned. Pedro Delgado, this year's winner of the Tour de France, was found to have traces of probenecide, a masking agent for anabolic steroids. Although the drug is banned by the IOC, it was not due to be placed on the proscribed list of the International Cycling Union until after the race.

The testing regulations contain other loopholes. Most tests are conducted at competitions, but many athletes come off steroids before the meetings, so retaining many of the benefits without risking detection.



Michelle Verroken, senior drugs control officer at the Sports Council in the UK, says testing must be done between competitions if it is to be fully effective. At present Norway, Australia and the UK are among the few countries where athletes are liable to be tested at any time.

This year the Sports Council will fund about 800 tests outside competitions. It was one of these that caught the British pole vaulter, Jeff Gutteridge, at Lanzarote in April. He had won every major UK title during the year.

Although out-of-competition

testing is the most effective method of preventing steroid abuse, it is not carried out in the US. "Ideally, we would have out-of-competition testing," says Frank Uryasz, director of sports sciences at the National Collegiate Athletic Association (NCAA). "But the legal system makes it almost impossible."

Uryasz explains that some US states have liberal provision for privacy. An injunction was recently passed in California preventing the NCAA testing Stanford athletes even during competitions.

"All year testing would have

a much higher rate of positives," says Mike Moran, of the US Olympic Committee. "But at present we even have to announce in advance which competitions we will be testing. The legal climate can hardly support competition testing - out-of-competition testing is really just a dream."

Moran admits that widespread testing would also be expensive. Each one costs about \$200 (£120) to process. The NCAA, for example, spends \$1.5m a year testing 3,000 athletes at 76 championships. A world-wide system of random, out-of-competition

testing would have considerable logistical problems.

It is not even clear that the right culture is fostered by sports federations. Ben Flecknett, who at one time held the world discus record, was found positive at the Pacific Conference Games and banned from competing for 18 months by the International Amateur Athletic Federation (IAAF). However, he was subsequently voted US athlete of the year by the Athletic Congress, the governing body of athletics in the US.

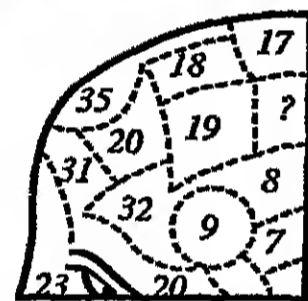
Similarly, Martti Vainio of Finland was able to run in the European Championships only 18 months after being stripped of his Olympic 10,000 m silver medal.

The London-based IAAF has recently changed the sanctions available for drug abuse. Since the 1987 World Championships in Rome, minor offences for drugs such as the ephedrine, which can be found in over-the-counter cold preparations, carry a ban of three months for the first offence, two years for the second and life for the third. The other drugs now carry a mandatory two-year ban for the first offence and a life ban for the second.

But the IAAF points out that athletes risk far more than bans if they take drugs. Many of the substances taken to improve performance are also dangerous.

Last year Der Spiegel, the West German magazine, ran an article about the heptathlete, Birgit Dressel. Over a period of a year, she received more than 400 injections, as she moved from 3rd to 6th in the world rankings. It took three days for her to die from toxic poisoning from the cocktail of substances within her. She was 25.

Drug abuse not only hurts the athletes, it can also injure their sport. Much of the sponsorship and television coverage that athletics receives is derived from its clean image. If that image is destroyed, then athletics risks losing the money that has transformed it from a Cinderella to a queen of big-time sports.



## WORTH WATCHING

Edited by Geoffrey Charlish

### Through the wall to the cleaners

HINCHLEY Automation, a small UK company, has developed an automated system for dry cleaning and laundry businesses, aimed at improving service and cutting overheads.

It enables a customer to deposit and collect clothes without dealing with an assistant.

The customer opens a flap in the wall of the premises by putting a credit card through a reader. He or she then deposits clothes on fixed hangers or in bags and keys in the details. The price appears on a screen.

A ticket is printed out for the customer and the clothes are tagged by an operator, using the credit card number.

These tags stay with the clothes during the trip to the cleaning plant. When the

clothes come back, the tag numbers are related to the credit card number to enable the operator to put the items into position on a rack, as directed by a computer.

When the customer returns, he reinserts his card and a selection unit, controlled by a microprocessor, moves alongside the rack to collect the clothes and take them to the hole in the wall.

Since the counter need not be manned, the system takes up less space than a shop and could be placed, for example, in a hotel lobby. It can operate 24 hours a day.

The mechanical engineering in the system has been kept to a minimum. Most of the intelligence and flexibility is vested in the microcomputer.

### New publishing on a PC

HEWLETT-Packard, of the US, is offering software which allows information to be published on and retrieved from the CD-ROM (compact disc read-only memory). Called LaserRETRIEVE, the software runs on an HP Vectra personal computer.

The system arranges and indexes data for recording on nine-track magnetic tape. The tape is then sent to a CD-ROM mastering and replication facility where the 4.7 inch optical discs are manufactured in bulk.

The discs are despatched with software that permits easy access - 200,000 pages can be kept on one disc.

### Guidance on design for IT

LONDON management consultants Butler Cox and Partners is drawing up a set of guidelines on the impact of information technology (IT) on office design.

The work has been commissioned by International Business Machines, Digital Equipment Company, British Telecom and American Telephone and Telegraph. They will distribute the booklet.

Roger Carreras, director of consultancy at Butler Cox, says: "The City of London is littered with buildings that after 20 years of life are to be demolished because of poor design and inadequate provision for IT."

He points out that five years ago only about 10 per cent of office workers had screens and keyboards. In large City-based companies, the figure has reached 50 per cent and is likely to exceed 90 per cent by 1992.

Many of the problems concern the provision of computing and telecoms services to individuals' desks and, in particular, the associated cabling, in the absence of standards and with the idea of the single, high bandwidth cable to carry all services still in its early days, proper provision for multi-cable systems, at minimum cost, is important.

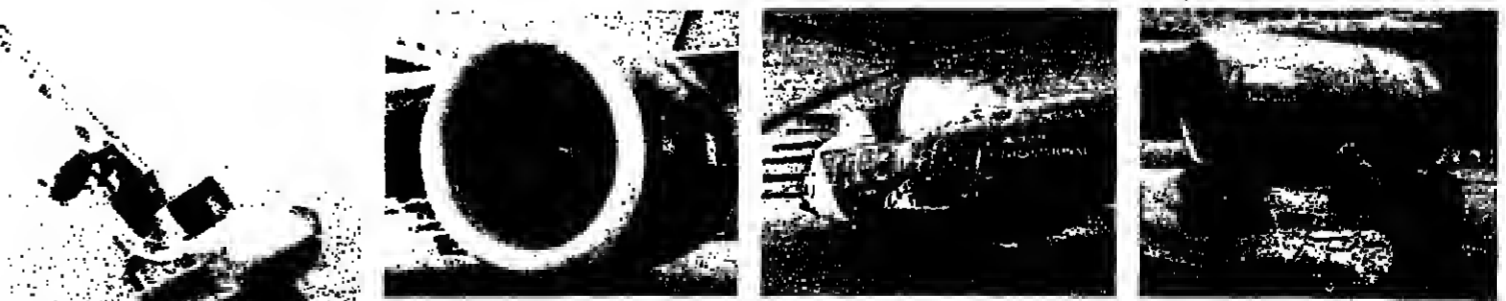
CONTACTS: Hinchley Automation: UK, 0276 81482. Hewlett-Packard: UK office, 0754 59922. Butler Cox: London, 551 0101.

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For further information about Cookson, please write to: Corporate Relations Department, Cookson Group plc, 14 Gresham Street, London EC2V 7AT.

## POSTAL DISPUTE BANK OF ENGLAND WARRANTS

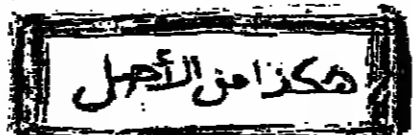
**Interest and Redemption Monies**  
Holders of stock on the Bank's register are advised that, in consequence of the postal dispute, warrants are not at present being despatched.

### The following emergency measures will apply-

- 1 Warrants may be collected by payees from the Bank of England, Registrar's Department, New Change, London, EC4M 9AA. Alternatively, payees may arrange for third parties to collect warrants from the above address against production of the payee's written authority; the latter should specify the stock title, the capital amount of the holding and the full names of the registered holder(s), plus the stock account reference number if known.
- 2 Upon request, arrangements may be made for warrants to be available for collection from the Bank of England's Branches at Birmingham, Bristol, Leeds, Manchester and Newcastle, and at the Bank's Agencies in Glasgow, Liverpool and Winchester.

All telephone enquiries regarding the above announcement should be directed to the Bank of England, Registrar's Department, on

**01-601 4444**



MANAGEMENT

AB Electronics

# The quiet way to put quality first

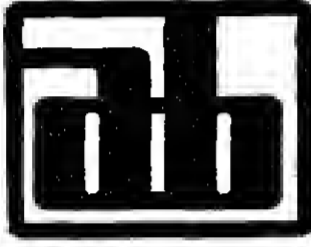
Anthony Moreton on the strategy of the Welsh subcontractor

Not many British companies have the courage to take on the Japanese in their homeland, least of all in electronics, but Peter Phillips says: "We would like to see ourselves as a growing player in Japan."

"We" is the AB Electronic Products Group, a company that prefers to shelter behind the anonymity that comes from being a subcontractor rather than seek the wider prominence that comes from having retail products with famous trade names.

AB Electronics, a company firmly established in the Rhondda valley, one of the most industrial parts of south Wales, is a world leader in the assembly of electronic systems and equipment using surface-mount (SMT) and conventional technology. It is the second largest supplier of SMT boards to IBM (America's SMT is the largest), for instance.

Having established its *bons fides* in Europe and North America - among its main customers are Olivetti-Acorn, Mercedes, General Motors, Ford, British Telecom and Boeing - it is now looking to Japan.



"It will take time," says Phillips, chairman since the beginning of last year. "But we have traded with Japanese companies like Brother in Europe for years and met their standards so we think we can meet them in Japan, too."

To pursue this course, AB has formed a company called AB Japan with a trading house in Tokyo.

Phillips is careful not to exaggerate the move. AB Japan will look for opportunities to sell to the Japanese as well as buy components for its own products from them, especially automotive electronics. AB Japan is small - but significant.

Such caution is typical of the way AB Electronics moves. "First, you have to get your quality right," says Edwin Merrette, its managing director. "We have certainly done that. Our quality is as good as anything the Japanese or Germans can achieve. Then you have to

get your service right. We are on top of that, too. That is why we have the ability to challenge the Japanese in their own market."

All this is a long way, both in time and product, from AB's beginnings. It started life in central London in the mid-1930s, moved to Feltham just before the outbreak of war in 1939 and on to Wales in 1950 when its premises were pulled down to allow for the expansion of Heathrow airport.

At that time, employing a little over 100 people compared with its present workforce of more than 5,500 internationally, it was turning out parts for radios and televisions.

That it moved out of this area was due to the foresight of Henry Kroch, who only retired as executive chairman last year. Kroch rose to the top in

this point has not been without its hazards. Three years ago it was caught by the collapse of the home personal computer market and in particular by that of Acorn, which was subsequently bled out by Olivetti. Turnover, which had jumped rapidly from £33m in 1983 to £122m two years later, only crept up to £130m in 1986. Pre-tax profit fell by £1.6m to £4m in 1986 as the company wrote off £4.7m as a direct consequence of Acorn's troubles.

The decision to move into printed board assemblies in the early 1980s, however, helped sustain the forward momentum. That and its reputation for quality and reliability - and the IBM contract.

The name IBM in AB's Abercynon headquarters is spoken in hushed tones. The company is sensitive about its relationship with the American giant, finding itself caught in a cleft stick. It says little about IBM simply because the US company prefers it that way. This leaves AB vulnerable to accusations on the stock market that it is over-reliant on one customer.

In practice, IBM has a policy of spreading its buying power to minimise the possibility of being held to ransom by any one supplier. It will not take more than a fixed percentage of a supplier's turnover. The only way AB Electronics can get more orders from the Americans is to boost its own total turnover.

That looks to be well within its grasp. Last year's turnover should be comfortably exceeded this year, according to some analysts, and when figures for the 12 months to June 30 are released later this month they could show sales around £200m. More important, margins are expected to show a dramatic improvement; the market is expecting pre-tax profit to come out at about £15m, almost double last year's £8m.

The increase has been helped in no small way by work on contracts such as that for Jaguar, with which AB Electronics has been associated since the late 1970s.

AB has a picture of the driv-

ing seat of the ultra-modern XJ6 in the entrance hall of its automotive products group headquarters on the outskirts of Cardiff. Red arrows indicate the parts AB makes. There are around 20 on the Daimler model, including the controls for air conditioning, and the power seat.

These are just the visible tip of what AB makes. Out of sight, the company supplies as many again, including the micro-processor unit which is the main hub of the car's electronics and the lamp-monitoring units which tell the driver when the bulbs are approaching the end of their useful life.

Derek Embrey, AB's technical director, says the motor company "was in a mess" when it first approached AB at the end of the 1970s. The series 3 model was very old and the company wanted new electrics for a new model. "We at that time were looking at ways of saving weight on cables and in electrical systems. There are probably about 3 miles of cable in a car like a Jaguar and its weight is enormous. The looms and harnesses alone weigh around 450lbs.

"To reduce the weight meant, in effect, reducing the number of wires. To get the number of wires down we had to develop a low-current switching system. The result of this new system is that the weight of the wiring has been reduced by about 250lbs and we have added 3mpg to the car's performance."

The company is a fairly recent entrant into the competitive motor business but the division already accounts for



Peter Phillips (left) and Edwin Merrette: challenging the Japanese in their own market

14 per cent of the company's £171.6m turnover. It has captured a "sizeable proportion" of the British market for body and assembly electronics, according to Paul Ryder, managing director of the auto division.

But if the auto group is motoring well, like components and electronic assemblies, Phillips is less happy about the other two divisions - telecommunications, and aerospace and defence. These two contributed £32m and £17m respectively to turnover last year and so are not big players. Even so he admits to being disappointed at the difficulties they face.

"Aerospace and defence have been disappointing because the defence industry is going through a difficult time. But both this sector and telecommunications are areas that tend to be solid and reliable, bring us into contact with important customers like Boeing and, most important, bring a balance to the group's business," says Phillips.

What Phillips now wants is to expand to the point where each of the divisions has a significant share of its own market. "We want to demonstrate to each particular market that we are serious players in it. That is most important in our thinking."

A second plank in his management programme is to develop AB's own products and technologies. Often, he agrees, these will be customer specific. Much of the work in this area will be done by Embrey's team; it is already working on security systems for public compa-

nies and private communications such as the Omega alarm system for installation in sheltered housing.

The future will inevitably take the company into the US since this is where a lot of the company's business is. Phillips admits he "wanted to buy an American company to fit in with Page Aerospace", a recent deal. "We looked at a couple, but we have not found the sort yet that fits well with us."

Any acquisition will have to be what he describes as "bolt-on" concerns. "AB will definitely not go into a totally new field. We are not a conglomerate. Any additional concern must be complementary to our operations in some way."

He cites the acquisition of Plessey Connectors, since renamed AB Connectors, last September. "We are in the connector market but we were relatively small in it. We had either to become much larger or get out. So we bought in to become bigger. We are now the second largest circular connector manufacturer in the UK."

Funding deals is not a serious problem. The increasing profitability is helping reduce the present gearing (shown at 32 per cent in the last balance sheet but certainly lower than that now) and AB could make more takeovers without going back to the market "provided it were not too big."

Phillips thinks this is a reasonably happy situation to be in. Others might think him erring on the cautious side, but he admits to being unwilling to shout his own wares too loudly.

# Moving ideas out of the laboratory

Peter Marsh explains Dupont's formula

There is no formula. You have to be flexible. That is the way Richard Quisenberry, director of corporate research at Du Pont, the US's biggest chemicals company, approaches the task of getting ideas out from his laboratories into the commercial arena.

Determining the best methods for facilitating this transfer is more a management problem than a scientific one and is a preoccupation in much of technology-based industry. Quisenberry, a large and relaxed man who has worked for Du Pont for 26 years in a variety of disciplines, reckons there is no single answer.

Quisenberry has been in his present job since 1984 and oversees 800 scientists and engineers in Du Pont's central research and development laboratories on a leafy campus near Philadelphia. He has an annual budget of \$180m, which is roughly 12 per cent of Du Pont's total yearly research spending. The remainder is spent on application-oriented work taking place in the company's various commercial departments in areas such as drugs, petrochemicals and medical equipment.

The scientific staff at Quisenberry's laboratory, of whom about half are chemists with the rest largely physicists and biologists, share the campus with 1,000 other researchers who come under the control of the business divisions.

"Out of this sea of activity come plenty of ideas, some of which appeal to the commercial people - in which case further development takes place under the wing of the relevant operating arm of the company. In this way, for example, an invention in resins would generally be taken on by scientists, production engineers and marketing people from one of Du Pont's departments dealing with plastics."

"Sometimes no one from Du Pont's business groups is interested in the novel thoughts from the research centre, in which case, under Quisenberry's direction, people from his laboratory can go ahead and commercialise the ideas themselves. This appears almost an anarchic strategy which could easily encourage an "everyone for himself" approach to innovation. Quisenberry insists, however, that the policy has led to some

notable successes.

Under the strategy, the research group with the novel idea invites into the central laboratories people with the relevant marketing and engineering expertise. They then work on the innovation, perhaps setting up a pilot production plant, before finding an orthodox commercial outlet in the shape either of another part of Du Pont or an outside organisation which takes out a manufacturing or sales licence.

This is how Corian, a novel type of acrylic which can be shaped into sinks and other consumer items, was brought to the production stage before being taken on by an operating division of Du Pont.

Still inside the central laboratory and awaiting an external commercial partner is a new type of medical technique, called depletion therapy, for treating patients with illnesses associated with viral infections and other disorders of the immune system. The method is being tried out in hospitals around the world.

In another venture, the corporate researchers are working with De Puy, a US maker of medical implants, in a project based around a novel elastomer which can be used for artificial hips.

Next in line for the Quisenberry treatment could be superconductivity - work in developing new materials which have zero electrical resistance under close to normal conditions rather than at the extremely low temperatures normally associated with this phenomenon. By the end of the year Quisenberry hopes to open a small "concept centre" for superconductivity research where teams of research staff from different parts of the company can work together. Such co-operation would supplement the promising work already being done at the central laboratory by a 30-strong group of chemists and technical people.

The most important management aspect to all this activity, believes Quisenberry, is the need to encourage the coming together of men and women from different scientific and commercial backgrounds. "Research and development has always been a lonely activity. As the science gets more complicated, interdisciplinary teamwork becomes essential."

# BOWATER

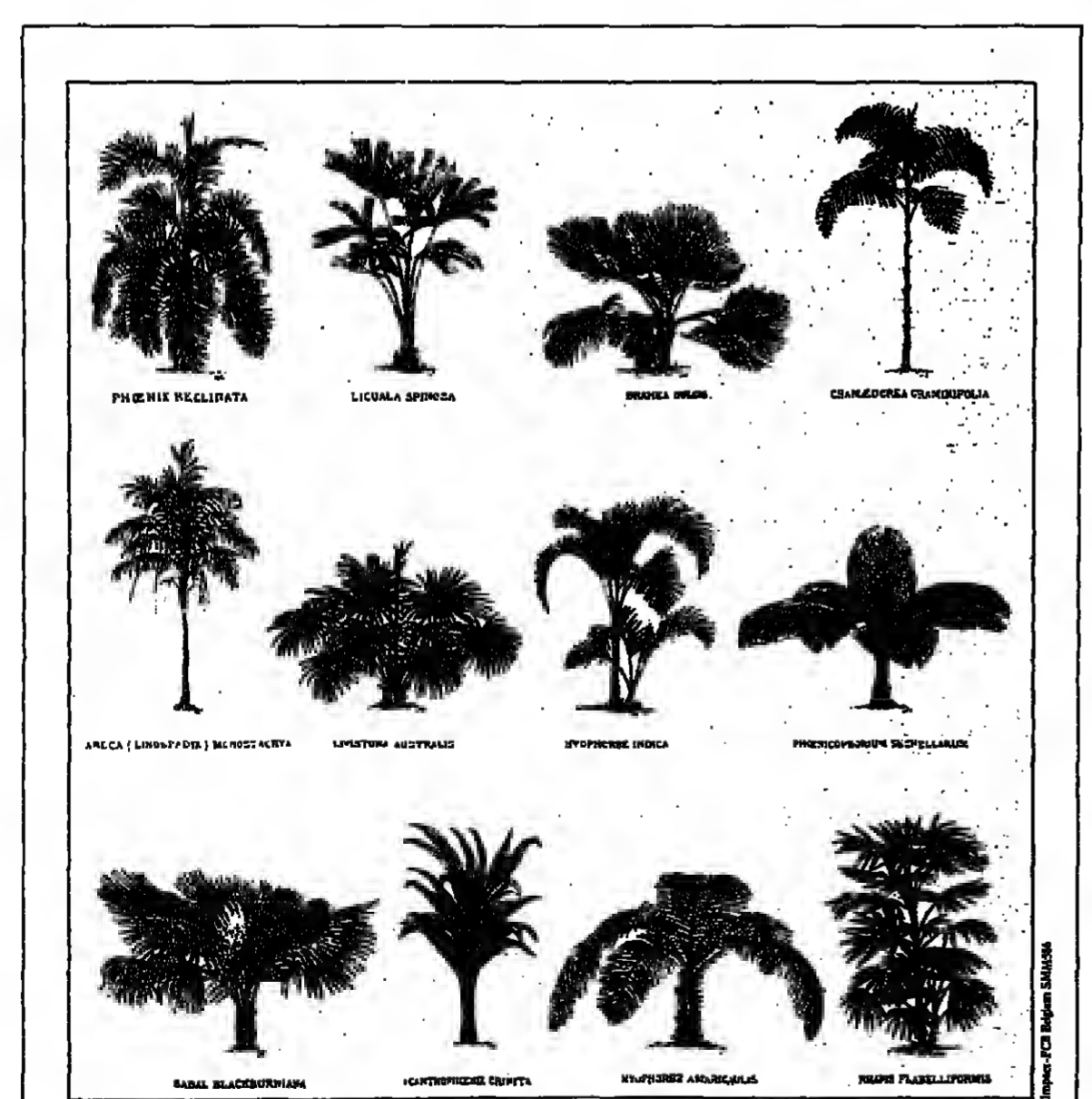
Report for the six months ended 30th June 88

## Profits up 76% E.P.S. up 54%

- FROM THE CHAIRMAN'S STATEMENT**
- 44% of eligible employees in the UK decided to participate in a savings related share option scheme.
  - Printing and packaging activities continue to make good progress.
  - Progress made by the Rexham group which was acquired in November 1987.
  - The Builders' Merchants division enjoyed buoyant market conditions.
  - Building Products continues to improve.
  - Activity levels are good and with improving margins the outlook for 1988 is encouraging.

**FINANCIAL HIGHLIGHTS**

	Six months to 30th June 1988	1987	Increase
	£m	£m	%
Sales	689	550	+25.3
Pre-Tax Profit	30.5	17.3	+76.3
Earnings per share	17.9p	11.6p	+54.3
Dividend per share	7.0p	5.25p	+33.3



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This announcement appears as a matter of record only. March, 1988

# MoDo

Mo och Domsjö AB

U.S. \$200,000,000

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**Bankers Trust International Limited** Banque Nationale de Paris Sverige  
**Deutsche Bank Luxembourg S.A.** Kansallis Banking Group  
**The Mitsubishi Bank, Limited** National Westminster Bank PLC  
**PKbanken** Skopbank Svenska Handelsbanken Group  
**Swedbank (Sparbankernas Bank)**

Managers  
**Algemene Bank Nederland (Sverige) AB** Credit Suisse  
**Société Générale** Swiss Bank Corporation

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New Issue



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Issue Price: 101<sup>1</sup>/<sub>2</sub>%

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July 1988

**NOTICE TO THE HOLDERS OF  
BANK OF TOKYO  
(CURAÇAO)  
HOLDING N.V.  
(the "Company")**

U.S. \$100,000,000 Guaranteed  
Floating Rate Notes Due 1991  
(the "Notes")

NOTICE IS HEREBY GIVEN, that in accordance with Condition 5(c) of the Notes, the Company will, at the option of the holder of the Notes, redeem on December 14, 1988 (the next Interest Payment Date) the Notes at the principal amount thereof.

In order to exercise such option, the holder must deposit the Notes with The Bank of Tokyo Trust Company in New York City as Fiscal Agent or at the principal office in the city indicated below of any of the following Paying Agents: The Bank of Tokyo, Ltd. in Brussels, Hongkong, London, Milan, Paris and Singapore; The Bank of Tokyo (Holland) N.V. in Amsterdam; Bank of Tokyo (Deutschland) A.G. in Frankfurt/Main; The Bank of Tokyo (Switzerland) Ltd. in Zurich; during the period commencing on and including October 17, 1988 and ending on and including October 23, 1988. The Notes, if so deposited, may not be withdrawn without prior consent of the Company.

**BANK OF TOKYO (CURAÇAO)  
HOLDING N.V.**  
By: THE BANK OF TOKYO  
TRUST COMPANY  
as Fiscal Agent  
Dated: September 7, 1988

**NOTICE OF REDEMPTION**

To the Holders of  
U.S. \$2,500,000,000

**UNITED KINGDOM**

Floating Rate Notes Due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions (the "Conditions") of the above-described Notes (the "Notes"), the Lords Commissioners of Her Majesty's Treasury on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland have elected to and will redeem on 7th October, 1988 (the "Redemption Date") all outstanding Notes at the redemption price of 100% of the principal amount thereof. Interest due on the Notes on 7th October, 1988 will be paid in the usual manner.

Bearer Notes will be redeemed upon presentation and surrender with all Coupons appertaining thereto maturing after (but not on) the Redemption Date, at the option of the holder, either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York, 10015 or (b) at the main offices of Morgan Guaranty Trust Company of New York in London and Brussels, Swiss Bank Corporation to Basle or Kredietbank S.A. Luxembourg in Luxembourg. Coupons due on 7th October, 1988 should be detached from the Bearer Notes and surrendered for payment at any of the offices specified above other than the paying agent in the United States in accordance with the Conditions.

Registered Notes will be redeemed upon presentation and surrender thereof, at the option of the holder, either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York specified above or (b) at the main offices of Morgan Guaranty Trust Company of New York in London and Brussels. Interest due on 7th October, 1988 on the Registered Notes will be paid in accordance with the Conditions.

On and after 7th October, 1988 interest will cease to accrue on the Notes and unmatured Coupons shall become void.

The Notes (whether in bearer or registered form) and all matured Coupons will become void unless presented for payment within periods of 12 years and six years, respectively, from the due date for payment thereof.

By order of:  
**THE LORDS COMMISSIONERS OF HER  
MAJESTY'S TREASURY**

Dated: 7th September, 1988

Any payment made within the United States or by transfer to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if a payee not recognized as an exempt recipient fails to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person. A payment made within the United States to a non-exempt U.S. payee is reportable to the IRS and that U.S. payee is required to provide to the paying agent an executed IRS Form W-9, certifying under penalties of perjury, the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of \$50.

July 1988

## Huhtamäki Oy

(Incorporated in Finland)

has acquired

## Lilypak Limited

(Incorporated in Australia)

and

## Lilypak Industries Limited

(Incorporated in New Zealand)

from

## Reil Corporation Limited

We initiated this transaction, assisted in the negotiations and acted as financial advisor to Huhtamäki Oy

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Mergers and Acquisitions Group  
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### Judson P. Reis

has joined our firm as

Executive Vice President

and

Managing Director of Investment Banking

**Kleinwort Benson Incorporated**

ARTS

Arts Week

F | S | Su | M | Tu | W | Th | Fr | Sa | Su

THEATRE

London

Every Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever...

Amsterdam

Importance of Being Earnest (Stadschouwburg). The Berlin Play Actors with Oscar Wilde's play, directed by Erik Mavertik...

New York

Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically felicitous...

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat...

Tokyo

Kabuki (Kabuki-za). The morning programme, at 11am, includes Kago Turube, with Living National Treasure, Usumon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin...

In the afternoon, at 4.30pm, the programme includes Il Taito, a new kabuki play set in the 19th century at the time of Japan's opening to the West...

Opera-za no Kaikin (The Phantom of the Opera). Nissel Theatre, Japan's leading musical company, Shiki, acquires itself well in what is a virtual carbon-copy of the London original...

MUSIC

London

Wigmore Hall, Haydn Festival. Andreas Schiff (piano), Yoko Shtobava (violin), Steven Isserlis (cello), Palcas Quartet (Frd, Sat) (885 2141)...

Opera and Ballet

London

Royal Opera, Covent Garden. The season opens with Andrew Serban's savagely exotic and fascinating production of Turandot...

directed by Pierre Boulez, with Jessye Norman (soprano), Mahler, Berg, Webern, Bartok. Royal Albert Hall (Wed) (888 8212)...

Pompeii. Teatro Grande (Pantheon Pompeiense). The Bayreuth Festival Orchestra conducted by Wolfgang Sawallisch playing Richard Strauss (Frd)...

Vienna. ORF (Austrian Radio and Television Orchestra), conducted by Ulf Schirmer with Lejos Lances (oboe), Zimmermann, Stravinsky...

Vienna. Staats Opera. In repertory: Tosca, conducted by Anton Guadagnolo, with Maria Zehner, Giuliano Gemelli, Silvano Caroli, Robert Kerns...

Amsterdam. Concertgebouw, Riccardo Chailly conducting the Concertgebouw Orchestra, with Rafael Diego, violin; Wagner, Gustav Tschakovsky (Thu) (718 345)...

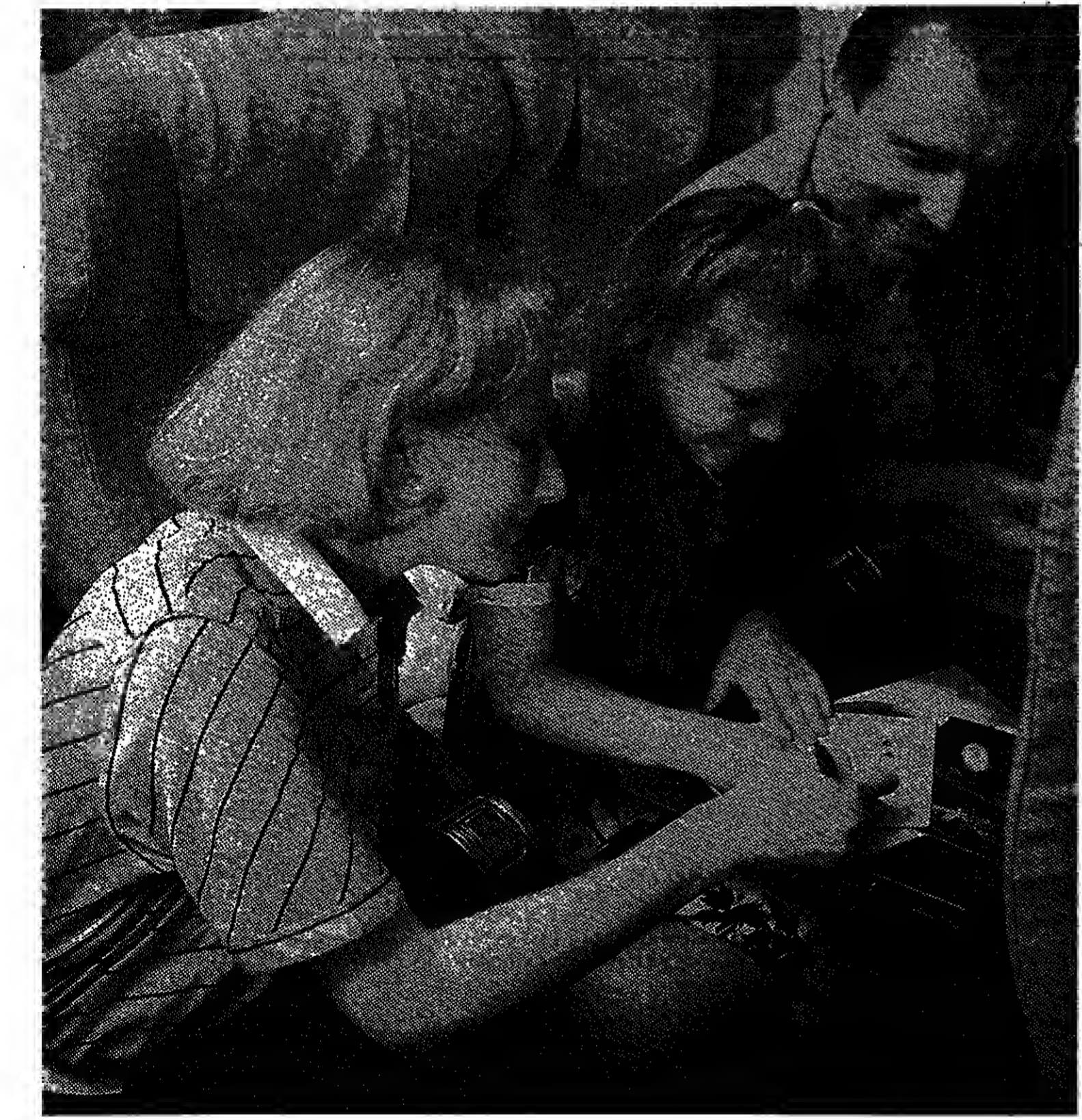
Pompeii. Teatro Grande. Ronald Adler's production of Richard Strauss's Elektra, conducted by Wolfgang Sawallisch with Hildegarde Behrens, Sabine Hies, Christa Ludwig...

Washington. National Symphony (Kennedy Center Concert Hall). Ishikawa Rosuzo conducting, Bernstein, Haydn, Brahms (Thu) (455 3878)...

Amsterdam. Muziektheater. Ron Buzil's "hallet event" Miso-en-Cadre danced by the Cloud Chamber company and directed by the creator, with music by Jannis Greco (Mon, Tue, Thu)...

"It was the attitude which kept the passengers happy."

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Lufthansa

EXHIBITIONS

Paris. Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The post-war creative dynamism of the Fifties is represented by comics, music, cinema, literature, industrial creation and - on the fifth floor - by visual arts...

Munich. Hans der Kasper, 90. Paintings, drawings and exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works - paintings, graphics and plastics - by 470 different artists...

Vienna. Museum of Modern Art/Museum of the 20th Century. Works by several Austrian artists, one of Austria's finest artists. Ends October 28. The Austrian National Library. The Arab world in Europe. A rare collection of letters and other literary items. Ends October 16...

Munich. Hans der Kasper, 90. Paintings, drawings and exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works - paintings, graphics and plastics - by 470 different artists...

Schleswig. Schleswig Holstein Landesmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow premiere in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the special relations between the German state and Russia. Duke Knud P. The 458 selected pieces are on loan from 14 different Soviet museums, with the highlight provided by 180 icons from the 15th to 19th century. Modern painters include Kadinsky, Natalia Gonscharova and Kasimir Malevitch. The other major part of the exhibition consists of 170 pieces of gold jewellery. Ends Oct. 24.

Vienna. Museum of Modern Art/Museum of the 20th Century. Works by several Austrian artists, one of Austria's finest artists. Ends October 28. The Austrian National Library. The Arab world in Europe. A rare collection of letters and other literary items. Ends October 16. Eusebio Villa. Portraits by the 19th-century artist Gustav Klimt and Emilie Floege. Ends Feb 19. Secession. Klimt's Beethoven. Prussia is now back in its rightful and original place in the restored Secession. The Secession was founded by a group of artists, Klimt included, at the turn of the century. At the time, it provided a haven and experimental ground for artists who were tired of the old established and conservative Kunstlerhaus or arts Academy.

Venice. Palazzo Grassi. The Phoenicians. The fourth major exhibition at Field's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Cesar Aulenti. Surprisingly, the project at odd angles from a pile of pink sand on the ground floor of the Palazzo, in an upstairs room, model ships stand in a row, a rippling artificial lake. Many of the 1,200 objects displayed are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome. Palazzo Venezia. Imago Marina. Over 100 works, including man-

terpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giottino and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

Martigny. The Canadian Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Rembrandt, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlesienne and landscapes with tormented trees. There is also a portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bernard's appealing nude or Degas' ballet dancers. (28/78). Ends Nov 6.

Chicago. Art Institute. More than 60 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rombout van Dyck and Frans Hals. Kick off a collaborative effort by US and Soviet museums. Ends Sept 18.

Tokyo. Tokyo National Museum. The Splendour of Turkish Civilization: Ottoman Treasures from the Topkapal Palace. The former Seraglio of the Sultans in Istanbul boasts a magnificent location, overlooking the Bosphorus, and houses a superb collection of classical antiquities, manuscripts, armours, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrustated with precious rubies, turquoise and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays. Hera Museum of Contemporary Art, Shingagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays. Japan Folkcraft Museum (Nihon Minshu Kan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends September 26.

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POLITICS TODAY: By Joe Rogaly

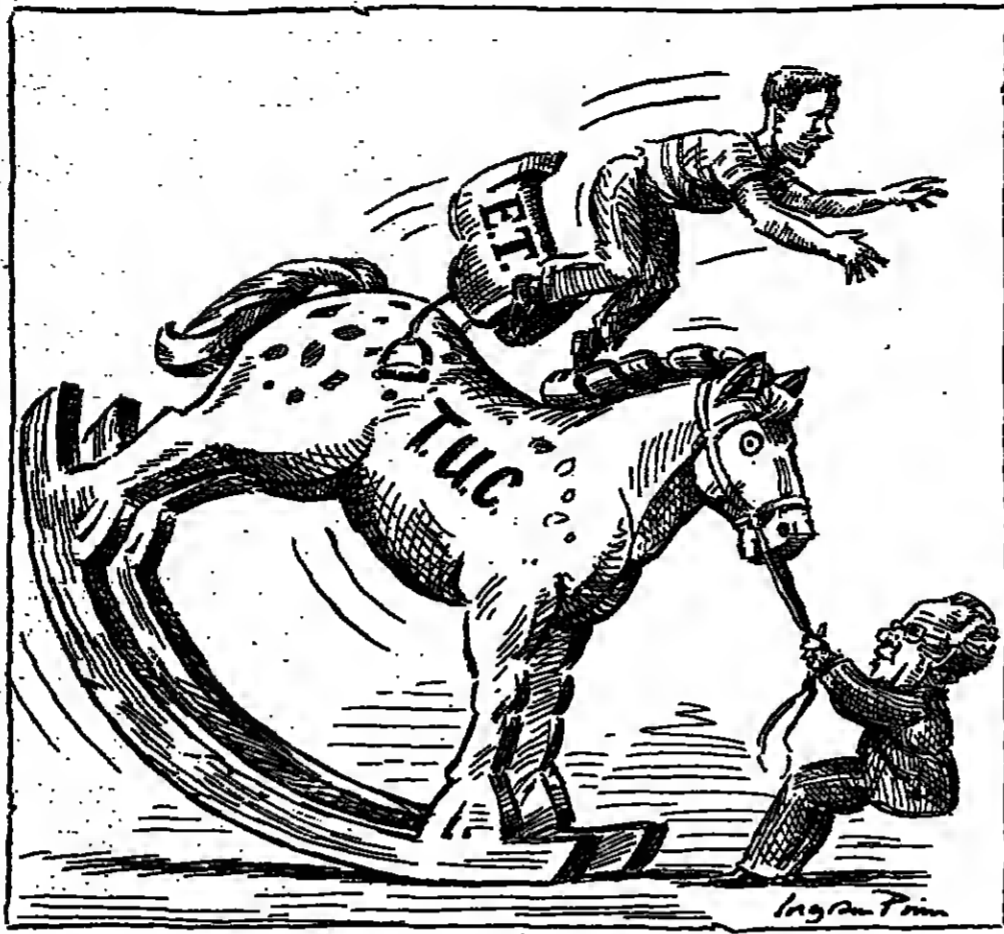
# Life in the world of the toyshop

Britain's Trades Union Congress is an aberration. Its behaviour in no other way can be explained. On Monday, one of its more sensible member unions, representing the electricians, was thrown out. On Tuesday it became indignant because the leader of the Labour Party, Mr Neil Kinnock, had to express an opinion of his own. On Wednesday this fastidious gathering of former persons of influence addressed itself to the Government's Employment Training scheme. In a single morning it managed, in the words of Mr John Edmunds, to construct a mass and lose itself in it. Mr Edmunds is the General Secretary of an umbrella union whose TUC listing has the initials GMBATT. He was referring to a vote that was both for and against training and got the worst of it, a qualified vote against.

Epitaph is the correct word. It is hard to believe that it is less than a decade since the TUC was a participant in the cabinet and often the master of the cabinet. It is not much more than 10 years ago that I found myself opposite a trade union dignitary in a railway carriage. He had his papers spread out on his knees. They were all from Downing Street. It could have been the Prime Minister's box. He worked through it nonchalantly, making a marginal comment here and there, as if he had been Disraeli or Churchill.

Today it would not matter if he were the paramount chief of the GMBATT, or the King of the Amen, the engineers' clan, or even the fierce witchdoctor of the Tagwu, the transport workers' tribe. The latter, Mr Ron Todd, is unmistakable. He takes naturally to the witchdoctor's mask, especially when he is on television. If you see this medicine man of the Tagwu coming, run. He can ruin anything resembling progress with a single shake of the TUC's bones, of which he is in command of a great many.

He certainly achieved such a reputation on Wednesday morning. The case is instructive, for it explains why the present Conservative Government is a triumphant tribe if ever there



was one, has so little opposition over which to ride roughshod.

I take as my text an article by Sue Berryman in 7 Days. This journal describes itself as a "Communist Party weekly". Its editorial stance appears to be somewhat to the right of some of the delegates to the TUC Congress. Ms Berryman is not impressed by the Employment Training programme whose virtues were proffered the other day by Mr Norman Fowler, the Secretary of State for Employment. It is, she writes, "a deliberate attempt to force the unemployed off the dole register."

What is worse, "for a country with serious skill shortages, ET, as it stands, is a disgrace."

She has a point there. The £4.6bn budget of ET contains a new money. Mr Fowler has simply re-arranged his existing cost schedules - discounted, if not presumed, for the bills that will be presented for the extensive advertising that has accompanied the launch. The number of trainees is, however, expected to rise by about a third. It is difficult to believe that the quality of training that will be provided will be adequate, except perhaps in certain specific industries like construction, where the demands of competent operatives remains strong. The best that can be said for most of ET in its present form is that it will be a job introduction agency for some thousands of 15 to 25-year-olds who might have stayed on the register of long-term unemployed.

Its effectiveness as a genuine training programme will, however, depend to no small degree on the attitude of the trade unions. Ms Berryman is aware of that. "ET is unworkable without major improvements," she writes. "Trade unionists have to be in there, winning those improvements."

(My italics). This is the view put by Mr Kinnock on Tuesday, to the evident disgust of Mr Todd and his allies. Mr Kinnock must be given proper credit for his speech. It contained a respectable attack on the Chancellor of the Exchequer, an impassioned description of the meaning of "community" (which is badly needed in contemporary Britain) and, in a passage of no little courage, a plea to the TUC to vote for continued participation in ET in order to improve its image as an issue central to the opposition: concern for the unemployed. As Mr

Kinnock stressed, it is another triumph for Thatcherism.

It might be protested that the opponents of ET had genuine trade union reasons for their attitude. Humbug. Look at what will happen now. The construction workers' union, which voted for continued participation in the programme, is unlikely to interfere with the excellent deal it has already agreed. The local government union, Nalgo, was less straightforward. It is opposed to ET on ideological grounds and proposed to wreck it. Some of its members would, however, suffer since they are trainees. So its successful motion provided for these and some others to continue with the scheme for up to two years. It is presumably this that Mr Bill Jordan, the engineers' leader, meant when he accused opponents of ET of "parading two-tier consciences."

There is, however, another possible "genuine" case in favour of walking away from the Government's scheme. This is the fear that it will become compulsory. The fear is compounded by the use of an American coinage, "workfare" to describe a system under which people who refuse either training or a proffered job are denied benefit. Anything emanating from the US is suspect to some trade union activists. In the phrase of Mr Eric Hammond, leader of the expelled electricians, they are suffused by a "pathological, racist anti-Americanism." Shorn of such emotions, it might seem reasonable for a trade union to harbour fears of compulsory labour - but, once again, humbug.

For Mr Fowler has stated on many occasions that ET is and will remain voluntary. It is true that the Prime Minister has shown by her own equivocations that for her part this policy could change, but if it did the trade unions could walk out of ET then.

In any case the British atti-

LOMBARD

## Mr Lawson's hair shirt

By John Plender

REMEMBER THE good old days of fixed rate lending? That was when a monetary squeeze meant instant pain for financial intermediaries, as the cost of their deposits soared and the return on their assets failed to keep pace. Borrowers had little cause to flinch, and would-be borrowers learned the virtue of patience.

A little Calvinistic, perhaps, but not all the same. The odd thing is that the British Chancellor's present determination to rely exclusively on monetary policy to cope with his balance of payments problem looks perfectly tailored for that bygone age - but scarcely for this one.

Much of Mr Nigel Lawson's difficulty lies in the explosion of credit which fuelled the house price boom. In the days before the lifting of exchange controls in 1979 left the manufacturing sector more vulnerable than home owners when sterling's subsequent appreciation tightened the monetary vice.

The Government then rubbed salt in the industrialists' wounds by eroding their fiscal advantages vis à vis the personal sector. Capital allowances were phased out - which means that British industry is now highly vulnerable to inflation - while relief on mortgage interest, and capital gains in the housing market, were left untouched.

Now, with more emphasis on exchange rate stability, a weakening balance of payments and more deregulation, the wheel has turned once more.

Higher interest rates are relatively less worrying for industry, net borrowings as a percentage of the equity of the quoted companies followed by Phillips and Drew, the stock-broking firm, have fallen from nearly 27 per cent in 1979 to 16 per cent last year.

And financial innovation has provided industrialists with ingenious hedges against volatility, ranging from interest rate caps to all manner of futures and options.

In contrast, the personal sector saw its real stock of liabilities nearly double in the decade to the June 1987 election. Its main hedge against interest rate increases has been the rising price of houses.

That, of course, cannot be used to pay interest, on which tax relief stops at £30,000; and the rise in values, anyway, reflected pressure of money, much of it foreign. As the Governor of the Bank remarked not so long ago, there is no economic law that house prices only go up.

But there is ultimately some level of interest rates at which domestic demand will flag and house prices may even fall. Nobody can be quite sure where - which is partly why interest rate hikes are to Mr Lawson's regime as Chancellor what mini-budges were to Mr Denis Healey's.

Monetary buffers sometimes refer to the financial system's increasingly sluggish response to interest rate shocks as a lack of "crunchiness", which started when fixed rate lending gave way to variable rates. That change involved a transfer of risk from lenders to borrowers.

Yet the sponginess of the financial structure is far from absolute, because lending bankers cannot ultimately escape the misfortunes of their over-indebted customers. If sterling were to go into "free fall," it would be a case of slow burn to a bigger crunch.

The new financial vulnerability of the personal sector relative to the voteless corporate sector also means that the political crunch comes faster - and with it, pressure for re-regulation.

So far the Government has resisted calls for credit controls. But interest rate hikes at the rate of six a summer surely undermine the Thatcher case against currency re-regulation via the European Monetary System (EMS).

For if - as we have just seen - Britain has precious little monetary autonomy outside the system, loss of sovereignty is a poor argument against going in. And - a little personal revisionism here - fears that the Germans will impose a deflationary impulse via the EMS mechanism must now be measured against Mr Lawson's new-found penchant for the monetary hair shirt.

## LETTERS

### Carriers of the disease called enterprise

From Mr D.K. Macrae.

Sir, As the source of infection for Ferranti's alarming attack of enterprise (Letters, September 5) we would like to endorse Sir Derek Alun-Jones' comments on the CEI industry.

PA Technology first conceived the idea of a public telepoint system some 10 years ago. The idea was presented to the Post Office (as it then was), and in a report (in 1983) to a consortium of European telecommunications authorities.

On the basis of market research, the report stated: "...the personal service could attain a maximum penetration of some 50 per cent of the population, or about 150m units Europe-wide".

Big business, by anyone's standards. But none of the telecommunications authorities were enthusiastic enough to pursue the idea - and at that time nothing could be done without the say-so of the telecommunications authorities.

More recently Ferranti, having evaluated the opportunities for cellular, came independently to the same conclusion: that there was a need for a low cost system to address the mass market which, for technical reasons, cellular could never reach. Ferranti commissioned PA to develop it.

The system demonstrated at Farnborough in November 1987 is still the only one shown in public. Ferranti's foresight in investing in this technology has given it a significant lead. It has also shown others that there is an important new market which could be larger than cellular in a few years.

Without Ferranti's lead, this service would not exist. It would be ironic if regulatory delays had the effect of punishing pioneers for rashly pointing out new opportunities.

Research and development spending is essential to hold the UK's technological head above water, and to create the opportunities new business depends on. It would be a pity to discourage the "goose that lays the golden egg".

D.K. Macrae, PA Technology.

Cambridge Laboratory, Medway, Rochester, Kent.

From Sir Eric Sharp.

Sir, We wish emphatically to endorse the principle reflected in the letter from Sir Derek Alun-Jones, chairman of Ferranti (September 5), that inventors of "new" equipment incorporating "new technology" should be permitted to offer the services for which the equipment was designed.

Our medium for this message is Sir Eric Sharp, chairman of Cable and Wireless.

J.I. Baird, T.A. Edmondson, G. Marconi, J. Pender.

### TUC vote could put much public sector work out of bounds

From Mr Peter Ashby.

Sir, Your leader on training the unemployed (September 2), rightly says that Employment Training (ET) should be an "introduction agency to put employers and the long-term unemployed back on speaking terms". It is because of this that the Government must act quickly now that the Trades Union Congress (TUC) has voted to withdraw co-operation from ET.

There can be little doubt that a TUC campaign of non-co-operation would place large swathes of the public sector out of bounds to the long-term unemployed. This raises a profoundly moral question about the exercise of union power: is it right that unions representing those already in work should be able to deny the long-term jobless even an introduction to work - especially when we nearly all agree that without such an introduction they could be permanently trapped into unemployment?

For those of us who answer "no" the question then arises: could the Government do any-

thing about it? Yes. It could follow the Swedish practice, and place a statutory duty on major public employers to offer at least work placements to unemployed people on ET.

The Government needs to act now precisely because ET is voluntary. If much of the public sector is excluded from ET, a dangerously high proportion of work placements will be low quality. And unemployed people will "vote with their feet" and leave these schemes - in which case, by the end of this year the clamour for ET to become compulsory could prove irresistible.

Mr Norman Fowler, Secretary of State for Employment, appears sincere in his belief that ET should remain voluntary for the "consumers". The challenge to him from the TUC is simply this: to avoid compulsion for the consumers he will have to bite on the bullet of compulsion for the major public providers.

Peter Ashby, St George's House, Windsor Castle, Berkshire.

### Critical paths in conventional defence

From Mr Graham Leman.

Sir, Professor Neild (Letters, August 30) is still misleading himself by thinking, in his gaww-headed way, about weapons rather than about operations. This is much like someone who thinks that photographs are taken by cameras rather than made by photographers.

What we are all worried about (particularly if we live between the Elbe and the Rhine) is that the Red Army of the Soviet Union looks capable of making a very deep thrust into Western Europe, threatening early decisive results, and forcing us into early use of nuclear weapons.

The Russians feel much the same way about us. Leaving the science fiction aside, all we need for the time being is to limit this specific threat of deep penetration and early decisive results. This we could certainly do (other things being equal) by agreeing to limit, under verification, the logistic capability of our forces, so that they simply could not make such penetrations. Even Benito, the German general known for his victories as commander of the Afrika-Korps in the Second World War, was

stalled when his battle-groups ran out of fuel and ammunition.

Without any other change, this would leave the forces on both sides as effective as they are now for defence, very much less effective for attack - which is enough to start winding down the tension.

Conventional arms limitation talks have been stalled for years by interminable technical arguments about weapons. Shifting the focus from weapons to operations could be a way of breaking the logjam.

Graham Leman, 11 Shakespeare Road, W3.

### Foxed

From Mr Angus Pharr.

Sir, Why is it that there is not a fax machine installed in every post office in the UK?

Angus Pharr, Mount Maru, Marsham Lane, Gerrard's Cross, Buckinghamshire.

From Mr H.A.F. Sandbach.

Sir, No longer postal relay/delay - simply POST, spell STOP.

H.A.F. Sandbach, Smoushill, Gloucestershire.

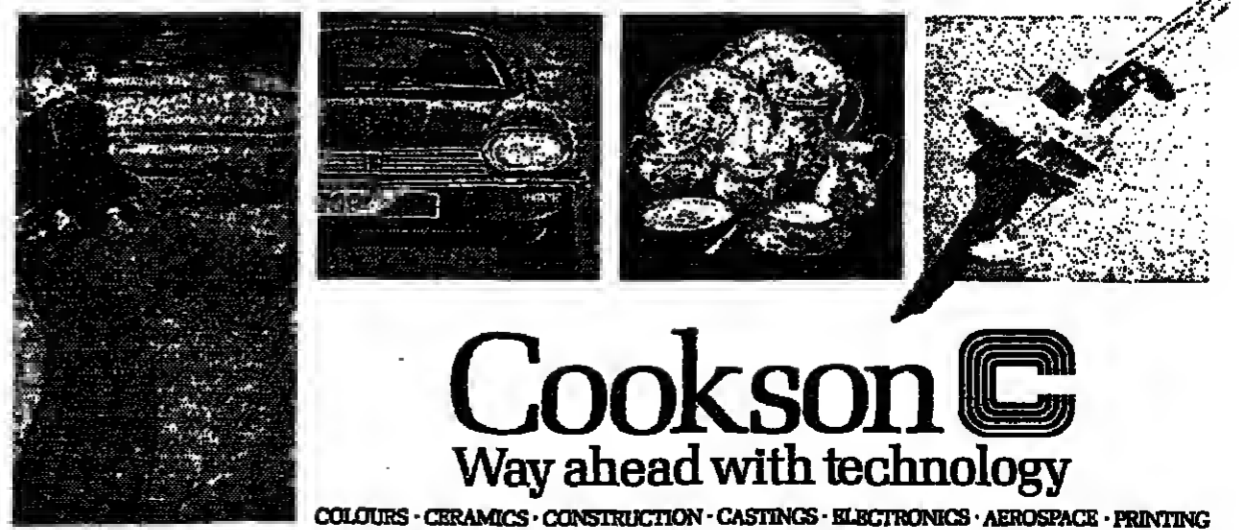
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Sales	£737.9m	£582.3m	26%	£1189m
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Profit before tax	£86.0m	£68.8m	25%	£144m
Profit after tax and minorities	£54.7m	£42.9m	27%	£93m
Earnings per ordinary share	15.1p	13.0p	16%	27.1p
Dividends per ordinary share	2.50p	2.0p	25%	6.0p

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FINANCIAL TIMES COMPANIES & MARKETS

Friday September 9 1988



Sir Peter Carey (left), chairman, and Mr John Craven, chief executive: hit by troubled financial markets

Morgan Grenfell earnings fall to £22m in first half

By David Lascelles, Banking Editor, in London

MORGAN GRENFELL, the London merchant bank, saw its earnings more than halved in the first half of this year because of the troubles of the financial markets. However, the results were an improvement on the latter part of last year which saw the October market crash, and Sir Peter Carey, chairman, said yesterday that Morgan had a new strategy plan which gave him confidence about the future.

Ultramar in \$440m US takeover

By Steven Butler in London

ULTRAMAR, the diversified UK oil company, is expanding its oil refining and marketing operation in California with the \$440m acquisition of the Wilmington Refinery in Los Angeles County, to be funded in part by a \$180m (£221m) rights issue.

The refinery will be bolted on to a profitable petrol marketing operation mainly in central and northern California, where Ultramar has 270 high volume service stations and 18 truck stops under the Beacon name.

Ultramar had a string of financially difficult years, but in 1987 completed a process of trimming down the far-flung operations of the group to a more manageable core of activities

INSIDE

Panamanian paradoxes

Paradoxes abound in Panama, not least the slight economic recovery despite a two-month bank closure, a flight of offshore funds and a 50 per cent plunge in government revenues. Politicians are concluding that the closure of the banks may have been the economy's salvation.

Austrians face small revolution It may be the beginning of a small revolution in the Austrian banking community. One proposal is to merge two of the country's major banks in preparation for the single European market.

Poor relations left high and dry

The poor relations among Taiwan's state-owned companies, China Shipbuilding Corporation, continues to be a headache for the country's economic planners. A huge interest burden, management difficulties in shipbuilding have all conspired to make the once prestige project a major government problem.

Rift at aluminium plant

All is not well at the Anshan aluminium plant, the Japanese-Indonesian joint venture. Rising input prices, improved plant efficiency and growing domestic demand have prompted the Indonesian partners to seek a higher production share from the Y41bn (\$3bn) venture.

Japanese defence strategy

Japan, estimated to have the world's largest defence budget, has been spending as a proportion of gross national product rise steadily for the past seven years. Yet defence has significantly failed to take off as a stock market sector and a range of interest in defence-related stocks have been short-lived.

Tarmac launches £141m cash counter-bid for Ruberoid

By Andrew Hill in London

TARMAC, UK construction and building materials company, emerged yesterday as a counter-bidder for Ruberoid, launching a £141.5m (\$241m) recommended cash offer for the roofing materials group.

Speculation that Tarmac, one of Ruberoid's competitors in the roofing materials market, would enter the vociferous battle between Raine and Ruberoid as a white knight began on Tuesday, when Tarmac bought a 2.5 per cent stake in Ruberoid at 25p, 2p higher than Raine's cash offer.

Raine said yesterday that it believed its offer was still generous, taking into account the risk of the Tarmac bid being referred to the Monopolies and Mergers Commission.

FII Fyffes hits out at Pernod

By Lisa Wood in London

FII Fyffes, the Dublin fruit group which holds a 20 per cent stake in Irish Distillers yesterday claimed that Pernod Ricard, the French drinks group, was in contempt of court for apparently publishing material from affidavits Pernod had submitted to the Dublin High Court.

On Monday Pernod Ricard won a temporary injunction against FII Fyffes, restraining it from selling its stake to anyone.

Donnay rescue offer rejected

By Tim Dickson in Brussels

BELGIUM'S world famous tennis racket manufacturer, Donnay, has this week been the subject of a bitter legal and political row after the bankrupt company's receiver had surprisingly rejected a rescue consortium led by the youthful French entrepreneur, Mr Bernard Tapie.

Arguments. However, with such large sums usually endorsing the agreements reached by the receivers, the possibility that he may try to reach some sort of accommodation with Mr Frey was not being ruled out.

Donnay, which was declared bankrupt two and a half weeks ago, shot to fame in the later 1970s when the Swedish tennis star, Bjorn Borg, was under contract to the company to use its wooden rackets.

Blow to thrift bail-out loan notes

By Anatole Kalotky in New York

US CONGRESSIONAL leaders yesterday added to the misgivings surrounding the country's beleaguered savings and loan industry. They rejected a call from the industry's chief regulator to put the full faith and credit of the US Government behind the loan notes issued by the financially overextended Federal Savings and Loan Insurance Corporation.

Government's gold credit card. Mr Charles Schumer, another leading Congressman, noted that the FHLLB had claimed to Congress that it already had sufficient funds to resolve the thrift industry's problems. This was contradicted by the request for Congress to back additional loan notes, he said.

Yesteryday, in a series of heated exchanges before the House of Representatives Banking Committee, Mr Danny Wall, chairman of the Federal Home Loan Bank Board, called on the House to pass a resolution which would give FSLIC notes the unequivocal backing of the US Government.

Market Statistics

Table with 3 columns: Item, Value, Item. Includes: 3M bond yield rates, London share price, FT-100 index, etc.

Companies in this section

Table with 3 columns: Company Name, Share Price, Change. Includes: DSM, ADT, Abbeycrest, etc.

Chief price changes yesterday

Table with 3 columns: Company Name, Price, Change. Includes: Fyffes, Ruberoid, Ultramar, etc.

Ultramar PLC advertisement. Text: On 7th September, 1988 Ultramar PLC's subsidiary, Beacon Oil Company, entered into an agreement to purchase the business and operations of the Wilmington Refinery in Los Angeles County, California for \$440 million (£259 million). Includes Ultramar logo.

## INTERNATIONAL COMPANIES AND FINANCE

**ANZ** Australia and New Zealand  
Banking Group Limited

## RIGHTS ISSUE

## Special receiving arrangements

The latest time for acceptance and payment in full or as to half for the Rights Issue of new ordinary shares in Australia and New Zealand Banking Group Limited is 5.00 p.m. on Friday, 9th September, 1988. Completed provisional allotment letters are due to be received at Hill Samuel Registrars Limited, New Issues Department, 6 Greencoat Place, London SW1P 1PL by that time.

Due to current postal delays, arrangements have been made for certain branches of TSB England & Wales plc and TSB Scotland plc, whose addresses are set out below, to act as additional receiving centres.

Duly completed provisional allotment letters together with remittances will be accepted if they are lodged before 3.00 p.m. on Friday, 9th September, 1988 at any of the following branches of TSB England & Wales plc and TSB Scotland plc:

Birmingham 301 Broad Street	Liverpool Imperial Buildings, Dale Street
Bristol - City Office 35 High Street	Manchester 43 Piccadilly
Brighton 16-18 New Road	Newcastle upon Tyne 25 Grainger Street
Cardiff 1 Queen Street	Norwich 6-12 St. Andrews Street
Edinburgh 28 Hanover Street	Plymouth 32-34 Eastlake Street
Exeter 8 Bedford Street	Sheffield 103 Norfolk Street
Glasgow 177 Ingram Street	Slough 20-22 High Street
Ipswich 24 Lloyds Avenue	Southampton 415 Shirley Road
Leeds 69 Albion Street	Tunbridge Wells 4-6 Monson Road
Leicester 17 Horsefair Street	York St. Helens Square

Provisional allotment letters are lodged at shareholders' own risk.

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**ANZ**

## Austrian banking faces shake-up

Judy Dempsey on merger plans which could trigger radical changes

A proposal to merge two of Austria's main banks could radically change the face of the country's banking and in the process provide the local capital market with a much-needed boost.

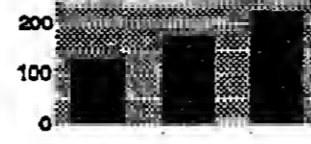
Ahead of 1992 and the formation of a single European Community market, Austrian bankers are growing anxious. They want more competition and more flexibility in the banking system. They want more incentives for the banks and more scope for the capital markets.

A shake-up of the savings banks, which the merger could trigger, forms part of these demands. The plan, still in its infancy, would lead to the merger of the Oesterreichische Laenderbank, the country's third largest commercial bank, with the Zentralbank and Kommerzbank or Z, Austria's largest savings bank.

Both banks are very different animals. Laenderbank, with total assets in excess of Sch20bn (\$15.9bn), has undergone a substantial restructuring since 1984. In recent years the state's shareholding has been reduced to 53 per cent. Yesterday the bank announced a Sch420m rights issue and confirmed that a secondary offering of shares early next year would cut the state holding to 51 per cent.

Under Austrian privatisation law, the state must retain a

## Laenderbank

Sch Million  
Net profit

## Zentralbank

Sch Million  
Net profit

minimum 49 per cent shareholding in state-owned industrial companies and banks, but bankers expect the regulations to be modified over the next few years.

In contrast to Laenderbank, Z is owned by the Municipality of Vienna. It has around 3.5m customer accounts and its assets total Sch20bn.

The merger rationale tends to focus on mutually beneficial advances. Laenderbank could gain from Z's expertise in savings and providing finance for trade, industry and small businesses. Z would benefit from Laenderbank's commercial and foreign activities.

So far, Mr Ferdinand Lacina, the Minister of Finance and ultimate authority on any merger, has made no detailed statement but if a merger does go ahead it would raise all sorts of questions about the role of Austria's savings banks. The country's 128 independent savings banks are all shareholders in Girozentrale und Bank der Oesterreichischen Sparkassen or GZ, Austria's second-largest bank. They are required to keep a liquidity reserve with GZ and the Austrian National Bank.

One of the principal functions of GZ is to give direct support to the savings banks, such as syndicating loans and underwriting issues. In effect, GZ, with total assets of around Sch27bn, acts as a central institution for the savings banks sector as well as a wholesale bank with special emphasis on banking services and capital market transactions.

Z holds 24 per cent of the GZ's shares, around Sch2bn, and, most importantly, foreign banks and financial institutions could buy shares in Austrian banks.

Most free-thinking bankers are hoping that the Ministry of Finance can be persuaded to agree to the merger of Laenderbank and Z. If it did, it could be the beginning of another small revolution in the Austrian banking system.

Mr Hans Hammer, the director of the Die Erste bank, the second-largest savings bank with assets totalling Sch30bn, has joined in the demands for realignment of the banking system.

## Wereldhave to reshape Peachey portfolio

By Laura Wain in the Hague

WERELDHAVE, the brash Dutch property group that captured Peachey Properties of the UK after a closely-fought takeover battle, plans to shift its British portfolio towards higher quality real estate and away from industrial sites.

Mr Onno Huisken, the chairman of Wereldhave, said yesterday that the Peachey portfolio would remain at about the same size but would be reshaped. More shopping centres and stores would be acquired. Industrial and trading properties would be sold.

Wereldhave is one of the few Dutch companies to have successfully waged a hostile takeover in a form of acquisition that is virtually unknown in the Netherlands. Mr Huisken, liberally sprinkling his remarks with English and apparently clad in London haberdashery, revealed in explaining the quest rules of UK bid battles to Dutch journalists.

He did not exclude further acquisitions in West Germany, Spain and the US, where Wereldhave wants to expand further. Mr Huisken said Wereldhave intended to continue growing on an international scale.

The future of Peachey's management has yet to be decided, although Wereldhave will definitely be represented. Mr Huisken said. Wereldhave accused Peachey of lax management during the bitter bid battle, but yesterday admitted that management expertise was one of the reasons for targeting Peachey.

The acquisition, which enlarges Wereldhave's portfolio by 60 per cent, will have no negative effect on the Dutch group's per share profit for 1988, which is expected to be fl 10. UK holdings now account for 47 per cent of Wereldhave's portfolio.

For the first half of 1988, Wereldhave's earnings rose 10 per cent to fl 36.8m (\$17.7m) from fl 33.4m a year earlier.

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For the six months from 9th September 1988 to 9th March 1989 the Notes will carry an interest rate of 8 7/8% per annum. On 9th March 1989 interest of U.S. \$445,017 will be due per U.S. \$10,000 Note for Coupon No. 10

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## Listing plan for DSM is on target

By our financial

DSM, the Dutch state-owned chemicals group, expects the planned flotation of 30 per cent of the company to take place by the end of this year.

It said yesterday that Parliament was set to press ahead with the necessary legal changes.

DSM added: "We get the impression that Parliament is dealing with the matter energetically."

"We assume we can get a listing before the end of the year."

Amsterdam-Rotterdam Bank, lead manager for the flotation, said it was on schedule for a December flotation.

## Generali acquires 1% stake in Ferfin

By Alan Friedman in Milan

ASSICURAZIONI Generali, Italy's leading insurance group, has acquired a small, but symbolically important equity stake in Ferruzzi Finanziaria (Ferfin), the company that has effective control of the Montedison chemicals business and is Mr Raul Gardini's newly-quoted investment vehicle.

Mr Gardini, commenting on the appointment of Mr Emilio Randone, the Generali chairman, to Ferfin's board, confirmed that Generali had bought a share stake. He did not say how large it was, but a Generali official said that a little more than one per cent of Ferfin stock had been acquired, not for cash but in exchange for Generali's stake in Montedison of just below one per cent, with a market value of around L54bn (\$24m).

The naming of the 77-year-old Mr Randone to the Ferfin board and Generali's move to acquire a Ferruzzi stake was being seen by Milan analysts as an indication that Mr Gardini is taking control of approval by the Old Guard of the Italian business establishment. Among Generali's closest allies is Mediobanca, the merchant bank which is a key Generali shareholder and also the bank that organised the share restructuring of Ferruzzi and Montedison.

As a result of the Ferruzzi-Montedison deal, the Montedison chemicals business now owns 27.18 per cent of Ferfin, which in turn owns 42 per cent of Montedison. The cross-holding will be eliminated when the remaining Ferfin shares held by Montedison are placed by a consortium led by Mediobanca.

## Bank of Italy official to head IMI

By Alan Friedman in Milan

A SENIOR Bank of Italy official was named yesterday as director-general of IMI, the state-owned medium-term credit agency and investment banking group.

Mr Rainer Masera, the central bank's internationally respected economic adviser, joined the bank in 1989 and

rose through the ranks to reach the same position as economic adviser that was once held by his father, Mr Masera is an expert on monetary policy and in the past helped co-ordinate such policy with other EEC nations.

The new job at IMI will place Mr Masera in a more commercial environment.

IMI, which controls SIGE, one of Milan's most successful investment banks, also has Italy's largest unit trust network. IMI is chaired by Mr Luigi Arcudi. The central bank is expected to name a successor to Mr Masera in the next day or so.

**NORTHERN IRELAND**

The Financial Times proposes to publish this survey on:

Tuesday, 18th October 1988

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LONDON'S BUSINESS NEWSPAPER**IRELAND****US\$500,000,000**  
Floating Rate Notes Due September 1998

In accordance with the provisions of the Notes, notice is hereby given that for the six-month interest period from 9th September 1988 to 9th March 1989 the Notes will carry an interest rate of 8.50% per annum. Interest payable on 9th March 1989 will amount to US\$432.39 per US\$10,000 Note and US\$10,609.72 per US\$250,000 Note.

**Agent Bank:**  
Morgan Guaranty Trust Company of New York, London.**Brasilvest S.A.**

Net asset value as of 31st August, 1988  
per CZ Share: 324.15  
per Depository Share:  
US\$10,228.10  
per Depository Share:  
(Second Series)  
US\$9,604.72  
per Depository Share:  
(Third Series)  
US\$8,173.73  
per Depository Share:  
(Fourth Series)  
US\$7,636.00

**IRELAND****US\$250,000,000****Floating Rate Notes Due September 1988**

In accordance with the provisions of the Notes, notice is hereby given that for the six-month interest period from 9th September 1988 to 9th March 1989 the Notes will carry an interest rate of 8.50% per annum. Interest payable on 9th March 1989 will amount to US\$432.39 per US\$10,000 Note and US\$10,609.72 per US\$250,000 Note.

**Agent Bank:**  
Morgan Guaranty Trust Company of New York, London.

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## GEORGE WIMPEY PLC

Statement for the half year to 30 June 1988 (Unaudited)

	1988 Half year to 30 June £ million	1987 Half year to 30 June £ million	Year to 31 December £ million
<b>TURNOVER - including share of associates</b>	<b>699.9</b>	<b>654.1</b>	<b>1,482.0</b>
OPERATING PROFIT	48.8	33.2	109.6
Share of profits less losses of associates	1.8	2.2	4.8
PROFIT BEFORE INTEREST AND TAXATION	50.6	35.4	114.4
Interest - net payable	(9.9)	(10.0)	(18.6)
PROFIT BEFORE TAXATION	40.7	25.4	95.8
Taxation	(13.4)	(6.4)	(24.1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	27.3	19.0	71.7
Attributable minority profits	(0.4)	(0.3)	(0.8)
PROFIT AFTER TAXATION AND MINORITIES	26.9	18.7	70.9
Extraordinary items	-	-	(2.8)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	26.9	18.7	68.1
EARNINGS PER SHARE	9.44p	6.63p	25.15p

The Directors have declared an Interim Dividend of 3.00p per share (1987: 2.00p) totalling £8,600,000 (£5,640,000) which will be paid on 24 October 1988 to ordinary shareholders on the register at the close of business on 29 September 1988.

## The Chairman, Sir Clifford Chetwood, comments:

"Profits before tax for the half year ended 30 June 1988 were £40.7m, an increase of 60% on the corresponding period in 1987. The tax charge has risen from 23% to 35%. The increase in profit reflects better performances in our Homebuilding activities, with an encouraging improvement in the USA, and the Minerals Group. Profits on overseas contracting operations were lower than in 1987.

Wimpey Homes achieved 4,309 legal completions in the UK, compared with 4,461 in the first half of 1987. The higher profitability has arisen from successfully achieving a better mix of sales and improved efficiency, as well as the buoyant demand and our ability to market a wide range of products which satisfy the aspirations of home buyers. During the first half of the year net sales were above target and some 5% higher than during the first half of 1987. We are particularly encouraged by the spread of demand, and consequent rise in prices, away from the South into the Midlands, the North and Scotland where we have land holdings in good locations.

We are making excellent progress with the expansion of our housebuilding activities in the USA, apart from Texas, and the additional investment made last year in California, Florida and Georgia has proved successful. We now have a total of 14 selling outlets in these States compared to six a year ago. Our other overseas housing operations are benefiting from favourable market conditions.

With a strong demand for its products, the Minerals Group continues to expand its asphalt, quarrying, waste and open cast coal businesses, as well as improving the profitability of its existing operations.

Wimpey Property has made good progress with seven office and retail projects under development. Of particular note is the pre-letting of the 437,000 square foot office development at Little Britain in the City of London which is, we believe, the largest pre-letting yet achieved in the City. Little Britain is due for completion in 1990.

The 250,000 square feet retail development at Clayton Square, Liverpool, will be completed and opened in November this year. There were no property sales during the half year and the portfolio now consists of 23 major properties and development sites.

UK Contracting activities have a record order book of £2 billion, but margins, although showing some improvement, are still tight. Profits from overseas contracting have fallen following completion of the major contracts in the Falklands and the Oman. However, negotiations for two major overseas projects elsewhere are being pursued.

The Group remains in a strong financial position and, despite the additional investments made in the past year particularly on land for private housing both in the UK and overseas, borrowings are at a similar level to this time in 1987. The rise in UK interest rates from 7 1/2% to 11% between June and August this year did not cause any slackening in the demand for Wimpey Homes. It is too early to form a view on the effect of the increase to 12% announced on 25 August. The indications are that the demand remains firm but the rate of price increase has steadied, particularly in the southern half of the UK.

All divisions have met their sales targets for the year to date and I am confident of a satisfactory performance in the second six months of the year. Furthermore, we are continuing to pursue a number of new business opportunities to expand our four core activities.

The Board has decided to increase the interim dividend from 2p to 3p per share but, as I said last year, this should not be taken as indicating the total dividend for the full year.

This statement will be sent to all shareholders on the register after the postal despatch is over. It is available to the public at the Company's Registered Office, 27 Hammersmith Grove, London W6 7EN.

**WIMPEY**  
Breaking new ground

INTERNATIONAL COMPANIES AND FINANCE

# HCC launches friendly \$400m bid for Ramada

By Janet Bush in New York

HCC CORP, a holding company controlled by the Pritzker family of Chicago, yesterday launched a \$400m friendly takeover of Ramada, the third largest US hotels group.

The announcement of the bid, at \$10 a share, came within an hour of news that talks between Ramada and BAA, formerly the British Airports Authority, about transferring Ramada's international division and its Renaissance chain of hotels to BAA had broken off.

HCC, a member of the Hyatt Group owned by the Pritzker family, is Ramada's largest shareholder with a stake of 7.2 per cent.

The Pritzkers said in a filing with the Securities & Exchange Commission in February that it had discussed internally and with third parties a possible acquisition or restructuring of Ramada.

In the letter to Ramada, HCC said its merger proposal was conditional on gaining the support of the Ramada board as well as obtaining clearance

from Federal anti-trust regulators and gaming regulators in New Jersey and Nevada.

HCC is approved for gaming in both states, where Ramada has extensive casino and hotel interests.

These include Tropicana casino developments in Atlantic City and Las Vegas, the Riddle Fabulous 500 casino in Reno and the recently opened Ramada Express casino and hotel in Loughlin, Nevada.

HCC said it had sufficient financing to cover its bid.

Disappointing earnings by Ramada has attracted the attention of corporate raiders over the past two years.

In January, the Pritzkers announced their 7.2 per cent stake and a year earlier Mr Paul Bilzerian, the Florida-based corporate raider, said he might mount a bid for the company.

In the second quarter, Ramada recorded net income of \$98,000 or 1 cent a share on revenues of \$202.5m. In 1987, net income fell 82 per cent to \$4.9m or 12 cents.

# Icahn wins backing to take TWA private

By Our New York Staff

SHAREHOLDERS of Trans World Airlines, the seventh largest US passenger carrier which has for three years been the main corporate vehicle of Mr Carl Icahn, the Wall Street takeover specialist, yesterday voted to accept Mr Icahn's proposal to take the company private.

Although Mr Icahn already owns 77 per cent of TWA's stock, the plan had to be approved by a majority of the independent shareholders. In the event, 87% of shares voted to accept Mr Icahn's offer of \$90 in cash and \$30 in debentures per share. Only 146,000 of the independent shareholders voted against the plan.

However, the shareholders' decision was immediately challenged by the TWA pilots' union, which served Mr Icahn with a lawsuit, charging the Wall Street financier with breaching a series of agreements made at the time of his takeover of the airline in 1985.

Mr Icahn was able to buy the company by winning the support of pilots and other employees for big concessions on wages and working practices. The TWA employees, who had been battling against another takeover bid from Mr Frank Lorenzo's Texas Air, agreed to these cost reductions in exchange for promises from Mr Icahn about the future operation of the airline.

The pilots charged in yesterday's lawsuit that Mr Icahn had breached these undertakings by stripping TWA of assets, burdening it with excessive debts and diverting the airline's surplus cash to himself and his privately-held companies.

The suit, which has been filed in a New York state court, seeks an injunction prohibiting Mr Icahn from taking the airline private on the grounds that this would allow the financier to "milk" \$685m of TWA's assets while increasing his holding in TWA stock.

The TWA pilots also said they would call for Congressional hearings and investigations into Mr Icahn's financial manoeuvres at TWA. They argued that Mr Icahn's claims to have retained TWA to profitability were unfounded.

# Nomura forms joint M&A unit

By Stefan Wagstyl in Tokyo and Gordon Cramb in London

NOMURA Securities, Japan's biggest stockbroker, is forming a joint mergers and acquisitions (M&A) company in Tokyo with Wasserstein Perella, the "boutique" Wall Street investment bank in which it bought a \$100m stake in July.

Nomura said the venture was aimed at strengthening its presence in the Japanese domestic M&A market, which is small but growing rapidly.

The new unit, Nomura Wasserstein Perella (NWP), will be headed by Mr Mitsuoto Goto,

until now senior managing director at Japan Associated Finance Company (Jafco). Nomura's venture capital affiliate, Jafco and the New York firm will each own 20 per cent of NWP with the remainder held by other Nomura group companies.

Nomura will transfer its existing M&A team of about six people to the new company, which will have a total staff of about 30. Up to five are also to transfer from Jafco, which had been seeking to expand its own

role into M&A.

Nomura has lagged behind other financial companies in this field - notably leading Japanese banks, including Industrial Bank of Japan, and at least one other securities house, Yamaichi.

Nomura bought a 20 per cent stake in the US company in order to establish itself in international takeover activity, especially in the business of advising Japanese companies on foreign acquisitions.

The link within Japan was

seen yesterday as helping to bring balance to the relationship. It will also create a "Chinese wall" between M&A and Nomura's massive equity trading operations in Tokyo at a time when the potential for insider dealing has become a sensitive issue in Japan.

Wasserstein Perella was founded earlier this year by Mr Bruce Wasserstein and Mr Joseph Perella, former joint heads of corporate finance at First Boston, a leading US investment bank.

# Irving Bank in move to woo white knights

By Anatole Kalatsky in New York

IRVING BANK, which has been engaged in a year-long battle against a takeover bid from Bank of New York, announced yesterday it had provided confidential information to several other prospective bidders following last month's collapse of a friendly merger plan with Banca Commerciale Italiana.

Irving's announcement came only minutes before BNY extended the deadline for its \$1.5bn tender offer for Irving until midnight on September 30. BNY said it had already received acceptances from 10.3m Irving shares as of midnight on Wednesday.

Together with the 888,634 shares owned by BNY, these acceptances covered about 65 per cent of Irving's outstanding common equity. A substantial number of these acceptances, however, could still be revoked if Irving were able to come up with a superior white-knight offer.

Even without another bid, BNY would continue to face serious obstacles in its attempt to buy Irving because of the target bank's poison pill defences and the provisions of New York State's anti-takeover law.

Arguments in BNY's effort to overturn Irving's anti-takeover defences are scheduled to be heard in the New York Court of Appeals today.

Irving did not disclose the identity of the other companies with which it had discussed the possibility of a white-knight offer. But the board said the aborted merger agreement with BCI had demonstrated that BNY's offer was clearly inadequate and that Irving could obtain a better price.

BCI withdrew its bid because of concerns expressed by the Federal Reserve Board about the ownership and control of the Italian bank. BCI is majority owned by an industrial holding company controlled by the Italian Government.

Union Corporation, the US financial services group, has retained Allen and Co to sell its Gichner Systems manufacturing unit to concentrate on financial services business.

# BAA abandons talks over joint venture

By Philip Coggan

BAA, THE privatised UK airport management group, has abandoned discussions with Ramada over the formation of a joint venture which would have led to a take over of the current operations and development rights of Ramada's international division.

The deal would have involved a \$10m investment by BAA, which has moved keenly to diversify since it was floated last year.

It spent \$230m (\$371.8m) on the acquisition of Lynton Property and Beveridge, a property group, and is developing its own hotels at Stansted, Heathrow and Gatwick.

BAA said yesterday that in spite of "extensive" negotiations, it was not possible to

reach final agreement with Ramada on key issues of control and structure.

Mr Jeremy Marshall, BAA's chief executive, said: "We are disappointed. We remain enthusiastic to expand into hotel management, but the arrangements must be right if we are to form a firm foundation for long-term growth."

Ramada said the close succession of the HCC bid announcement and the break off of joint venture talks appeared to be a coincidence.

It said the letter from HCC to Ramada's chairman, included in a filing with the Securities and Exchange Commission, was dated September 7 and the decision to call off talks with BAA had been taken the same day, but not announced until yesterday.

# Apple set to unveil upgraded Macintosh

By Louise Kehoe in San Francisco

APPLE COMPUTER is expected to launch a new high-performance version of its Macintosh personal computer this month. The new Macintosh II is said to be between 10 and 30 per cent faster than current models and is to be powered by a 32-bit, Motorola microprocessor.

The Macintosh will propel Apple Computer into the marketing applications, financial analysis and scientific work.

While details of the new Apple product have not been revealed, analysts expect the machine to be based on Motorola's recently introduced 68030 microprocessor, a high-speed 32-bit chip.

Mr John Sculley, Apple chairman, has stated that Apple had no plans to launch a new computer during the current fiscal year, ending September 30. The new Macintosh

is, however, expected to be presented as an "upgrade" of the current version.

Nevertheless, analysts suggest the machine will bring Apple into direct competition with the makers of computer workstations such as Sun Microsystems and Apollo Computer, and could significantly broaden Apple's markets.

The impact of the Macintosh II will depend largely on its price, analysts say. Current versions of the Macintosh II

sell for between \$4,000 and \$7,000, depending on the configuration of disk drives and other add-on equipment.

Analysts predict that if Apple prices its new machine aggressively at about \$1,000 more than current prices, it could be a big seller.

By launching the Macintosh this month, Apple may be aiming to upstage Next Incorporated, the company started by Mr Steve Jobs, the former Apple chairman.

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# Beverage operations boost Seagram

By David Owen in Toronto

SEAGRAM, THE large Canadian wine and spirits company, yesterday reported a 19 per cent increase in second quarter earnings on the back of solid progress in its beverage operations and lucrative returns on its investment in E.I. du Pont de Nemours, the US chemicals company.

Montreal-based Seagram holds an interest of about 22.9 per cent in the US company.

Though impressive, the gain represents a slip from the company's first quarter, when income rose 40 per cent from year-earlier levels.

In the latest quarter, net income totalled US\$165.5m or \$1.67 per fully diluted share, compared with \$139.4m or \$1.40 in the corresponding year-earlier period.

Quarterly sales from beverage operations increased by

43.4 per cent to \$1.25bn from \$869m in 1987. The results of both Martell of France and Tropicana, the US fruit-juice maker, are included for a full reporting period for the first time.

For the six months ended July 31, earnings totalled \$322m or \$3.32 a share on sales of \$2.15bn, against \$253.3m or \$2.57 on sales of \$1.7bn a year ago.

# Alitalia keeps up pressure to buy Aerolineas

ALITALIA, THE Italian airline, is still in the running to buy a stake in Aerolineas Argentinas, Argentina's state-owned airline, according to reports in Buenos Aires, writes Gary Head.

It will continue to make its case to the Government, along with a group of Argentine businessmen, despite a deal which has supposedly been clinched with Scandinavian Airline Systems to buy 40 per cent of Aerolineas.

Earlier this week, Swissair pulled out of a consortium which included Alitalia and private Argentine entrepreneurs associated with Austral, the recently-privatised airline.

Reports from Swissair suggested that it no longer considered the Argentine Government to be seriously interested in achieving the most profitable semi-privatisation of Aerolineas, which last year made an operating profit of \$20m.

# Philip Morris halts Greek production

By Lisa Wood

PHILIP MORRIS, the cigarette manufacturer, has withdrawn production of its Marlboro 100 cigarettes from Greece because of government pricing policies there. Production of the brand has been transferred to West Germany.

In a complaint to the European Commission, Philip Morris alleged that cigarettes man-

ufactured in Greece were at a competitive disadvantage to imported brands because of Greek government taxation.

The tobacco company said production was being transferred so that a retail price could be freely chosen.

Greece permits importers of cigarettes complete freedom in choosing the retail price of their

cigarettes.

However, cigarettes made in Greece are subject to retail prices fixed by the Government.

In July, the Government announced both a tax increase on cigarettes and an increase on the retail price of all cigarettes manufactured in the country.




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(a wholly-owned subsidiary of Holiday Corporation)

# U.S. \$230,000,000

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August 8, 1988

# CITICORP

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Row brews on underwriting fees
Our Euromarkets staff look at who pays the bill when issues flop

There is a debate raging in the Eurobond business over underwriting fees. It is over the question: who should foot the bill when new issues flop?

accept any more bonds than they knew they could place with investors. While ScottMacleod did not say so, the firm's implicit message was that it had no intention of supporting the issue.

"You have to look at the average payout by the lead manager to determine the cost of the bond. Too often, the price you bought the bonds at is not the price you thought you bought the bonds at."

'Stabilisation should be a stick to prevent lazy underwriters from dumping their bonds instead of selling them to investors'

specified period, thus eliminating the need to stabilise a new issue at all. While Eurobond officials at some of the largest firms here were sympathetic, they told Morgan Stanley there are too many firms chasing too little business in London to see that sort of practice take root here.

Most Eurobonds are priced so that investors find them attractive only when they are discounted - by an amount generally equal to the underwriting and management fee plus the selling concession.

One syndicate manager said: "If the bottom of the list are UBS Securities and Goldman Sachs International, which deducted 5.4 and 3.5 per cent of fee income respectively during the same period."

UBS in particular had been singled out for criticism since six of 19 issues it lead managed in 1987 took 100 per cent of underwriting fee income from co-managers.

The gap is not as large as it seems because borrowers currently place with the banks so-called compensatory deposits - lodging money in low interest accounts which compensate for the fact that the loans are at low rates.

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Japan plans to liberalise short-term prime rates

By Stefan Wagstyl in Tokyo JAPANESE BANKS are planning to liberalise their short-term prime lending rates in one of the most far-reaching moves so far in the deregulation of the Japanese financial markets.

The banks intend to link short-term prime rates to money market rates instead of tying changes in the prime rate to the Bank of Japan's official discount rate.

The switch is likely to reduce the central bank's ability to influence interest rates, forcing changes in the prime rate to the Bank of Japan's official discount rate.

The gap is not as large as it seems because borrowers currently place with the banks so-called compensatory deposits - lodging money in low interest accounts which compensate for the fact that the loans are at low rates.

The central bank's ability to control Japanese interest rates has been steadily reduced by deregulation of existing markets and the creation of new free markets such as the commercial paper market.

This will continue to be able to guide rates by direct intervention (buying and selling paper) in the markets, like central banks in other countries.

As for the relationships between commercial banks and other financial institutions, these have been steadily weakened by a decline in Japanese industry's need to borrow.

BB to trade US Treasuries

By Our Financial Staff JAPAN Bond Trading, the leading brokers' broker known in Japan simply as BB, is planning to start broking US Treasury bonds and notes.

Crédit Foncier de France issues hotly sought after

By Our Euromarkets Staff CREDIT FONCIER de France's mortgage credit agency, launched two separate issues totalling \$400m in one of the most hotly sought-after mandates in recent weeks.

Up to 40 houses were said to have sounded out the borrower about leading the deal, although the number of serious bidders was estimated at 20.

The issues, for \$200m each, are for fixed-rate and floating-rate, with the fixed-rate tranche masking a complicated series of swaps into four different currencies.

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Several issues have had to be postponed because of the sudden widening in spreads and conditions appear unlikely to improve soon.

Generally, trading has been tight, reflecting market anxiety about US producer prices data for August to be released later today.

Two previously launched issues were suspended in Asia. The ECB's \$100m 4 1/2-year Eurobond was suspended.

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INTERNATIONAL BONDS

The AAA credit rating needed to be eligible for purchase by central banks. Borrowers have no need to issue floaters when swap rates are much more economical.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 8.

Table with columns: Issue Name, Par, Bid, Offer, % Yield, % Spread, % Change. Includes sections for US DOLLAR, STRAIGHTS, EUROPEAN, and CONVERTIBLE.

KAWASHIMA TEXTILE MANUFACTURERS LTD. U.S.\$50,000,000 5 1/8 per cent. Guaranteed Bonds 1992. Sumitomo Bank, Limited Warrants to subscribe for shares of common stock of Kawashima Textile Manufacturers Ltd.

**INTERNATIONAL COMPANIES AND FINANCE**

# Court finds BIL breached Australian takeover code

By Bruce Jacques in Sydney

A LONG-RUNNING battle over the ownership of Woolworths, the struggling Australian retailing group, moved closer to resolution yesterday with a blow in the courts to Sir Ron Brierley, its effective 40 per cent shareholder.

The ruling came as Woolworths - which is unrelated to the British and US groups of the same name - unveiled interim results showing a return to the black.

The Supreme Court of New South Wales announced a finding that New Zealand-based Brierley Investments (BIL) had contravened the local companies code by failing to make a full takeover bid.

This followed proceedings brought a year ago against BIL and its parent, the New York-based subsidiary, by the National Companies and Securities Commission, the market regulatory body.

The commission claimed that BIL had effectively acquired more than 20 per cent of Woolworths, breaching the bid trigger level. This had been accomplished by BIL buying into the New Zealand-based Rainbow Corporation, which controlled a 20 per cent stake in Woolworths, after Industrial Equity had already acquired a similar direct stake.

Mr Justice Hodgson ruled yesterday that BIL had sufficient local connections for the Australian takeover code to apply. He is seeking direction from the commission, which has the power to vest, or effectively confiscate, the Brierley group's Woolworths shares.

Meanwhile Woolworths benefited from asset sales and a complete operational overhaul in the six months to June and, in line with predictions from Mr Paul Simons, the new chairman, managed net profits of A\$7.8m (US\$8.5m) against losses of A\$5.2m. Earnings were still minuscule in relation to sales, which hit A\$2.95bn compared with A\$2.77bn.

The directors have decided not to resume dividends, preferring to reinvest the funds in the company's recovery.

The sales rise was solid, given Mr Simons' pledge that the group would no longer chase market share, but concentrate on maintaining store standards. He backed this with a A\$34m store refurbishment budget for the current year.

However, the effect of cost-cutting and asset sales was evident on the group's interest bill, which eased from nearly A\$11m to A\$11.1m in the half.

# Increased operating costs hit Amgold

By Jim Jones in Johannesburg

LOWER URANIUM sales and higher operating costs combined to reduce first-half income at Anglo American Gold Corporation (Amgold), the principal gold investment arm of Anglo American Corporation, South Africa's largest mining house.

The interim dividend has been cut to R6.50 from R7. The directors say rand-denominated gold prices were higher than in the corresponding period of 1987, but that this was offset by higher costs which led to lower dividend payments by the mines in which Amgold has invested.

Uranium was in demand a year earlier as purchasers sought to forestall feared sanctions. Investment income slipped to R165.6m (R89.9m) in the six months to August, from R172.6m. Prospecting expenditure almost doubled to R32.4m from R16.6m, and the interim pre-tax profit was R154.7m against R168.1m. Gold production dropped at Amgold's mines in the first half.

However, analysts believe production will be higher in the second half of the year. In the same period of 1987 when operations were hit by a mine strike.

Net earnings fell to R7.05 a share from R7.39. Last year's full earnings were R15.55.

# Tyre side boosts BTR Dunlop

By Jim Jones in Johannesburg

BTR DUNLOP, the South African rubber products company controlled by BTR of the UK, benefited from strong consumer demand in the first half of this year but said sales of industrial goods were hampered by delays to important mining projects.

Turnover increased to R240m (R99.9m) in the six months to June from R199m and the interim pre-tax profit was R27.7m against R20.5m.

Sales of tyres have been lifted by strong demand for new cars, although the motor industry expects higher interest rates and tighter credit curbs to restrict demand in the second half.

Dunlop's directors say that delays to important coal, mining, ore beneficiation and electrical generation projects affected sales of industrial products such as conveyor belting.

Net earnings increased to 64 cents a share from 49 cents and the interim dividend has been raised to 37 cents from 30 cents. Last year's earnings totalled 106.6 cents and the year's dividend was 85 cents.

Mr M.S. Yeh, the company's president and a 31-year veteran of the state sector, is determined to see the company into the black.

He admits that the Government placed him in his present, unelectable position at the start of the year with orders to sink or swim.

He is also confident that the reform checklist he has drawn up (it contains 12 main items and 158 sub-items) will provide the buoyancy the company needs.

This assurance depends, however, on the Government meeting its commitment to provide an additional capital infusion to the company of T\$10m during this fiscal year and next.

Success will also depend on a halt in the US dollar's decline and a pick-up in the world shipbuilding industry.

At least part of one condition has already been met: the Government has earmarked

# Shipbuilder tries to stay afloat

Bob King reports from Taipei on

# China Shipbuilding's outlook

The company on average repairs or converts 200 to 250 ships a year at its yards in Kaohsiung and Keelung harbours.

It has built equipment as diverse as oil tankers, container cranes and smokestacks for power plants, and has also installed whole petrochemical plants.

Mr Yeh also plans to seek new business in the West with the establishment of sales bases in the US and Europe, and to seek additional technical know-how from more advanced countries to build bigger and higher value-added vessels.

For instance, he hopes to cooperate with the US in order to begin building naval vessels larger and more refined than the 2,000 dwt to 3,000 dwt ships now required by the Taiwan navy.

The largest part of his reform programme concerns improved management accounting, financial and material management, planning and supervision, design ability and R&D, production and process management, data processing systems and administration.

This reflects Mr Yeh's three decades in management at Taiwan Power Company, Taiwan Fertiliser and the Commission on National Corporations.

He says: "China Shipbuilding is not a target for privatisation right now because of its years of losses.

"But maybe in two or three years the picture will change."

# Shipbuilder tries to stay afloat

Bob King reports from Taipei on

# China Shipbuilding's outlook

China Shipbuilding Corporation, the poor relation among Taiwan's 10 main state-owned companies, continues to pile up sizeable losses while the other public enterprises register good profits.

It lost T\$1.9m (US\$66m) in the year to June, continuing a string of losses totalling T\$6bn since the start of its operations 12 years ago. In contrast, state-owned companies turned a combined profit of T\$3bn last year.

China Shipbuilding's continuing losses have proved a headache for economic planners, who once touted the integrated company as yet another example of the country's industrial strength.

It was one of the so-called Ten Major Projects begun in the 1970s that included the immensely profitable China Steel, the Sun Yat Sen Freeway which now connects the northern and southern parts of the island, and the electrification of the main north-south railway line.

Indeed, the Keelung-based facility, which includes a dry dock capable of handling ships up to 1m deadweight tonnes (dwt), is considered one of the world's largest.

The 516,000 dwt worth of orders it received during the first quarter of 1988 was the fourth largest among world shipbuilding countries, after Japan, South Korea and Poland.

The 1.27m dwt of orders now in hand rank the company fifth in the world, behind South

T\$6.2bn in this year's budget for the capital increase.

No one is willing to hazard a guess as to the future direction of the US dollar.

However, company analysts are projecting that worldwide demand for new ships will increase from its low point during 1986 of 12.4m dwt to 21.3m dwt in 1991 and 25m dwt in 1992.

The analysts base their projection on the assumption that ships built during the last peak in demand - 34.2m dwt in 1975 - are now ready to be replaced.

The company is also discussing the construction of an undisclosed number of Deshayre-class warships with the Taiwan navy, which Mr Yeh says would make a significant contribution to the company's programme for recovery.

Even at the current deflated price levels of T\$13,000 per dwt, an increase in business of 60 per cent would push the company to break-even point, he adds.

External factors such as these aside, however, Mr Yeh plans important changes within the company itself that he expects will lead to greater and more efficient use of resources.

For instance, he hopes to expand China Shipbuilding's activities in related fields such as ship repair and engine building, as well as in construction of heavy plant and equipment.

Anglo American Gold Investment Company Limited  
(Incorporated in the Republic of South Africa)  
Registration No. 05 03084 05

# AMGOLD

Interim report and dividend for the six months ended August 31 1988 (unaudited)

### Consolidated income statement

(R million)	Six months ended 31.08.88	Six months ended 31.08.87	Year ended 29.02.88
Investment income	165.6	172.6	355.9
Interest earned less administration expenses	1.5	2.4	7.1
	167.1	175.0	363.0
Cost of prospecting	12.4	6.9	21.2
Net income before taxation	154.7	168.1	341.8
Taxation	-	1.5	0.5
Net income after taxation	154.7	166.6	341.3
Dividends	142.7	153.7	312.8
Retained earnings	12.0	12.9	28.5
Earnings per share - cents	785	759	1 555
Dividends per share - cents	650	700	700
- Interim	650	700	700
- Final	-	-	725

### Consolidated balance sheet

(R million)	31.08.88	31.08.87	29.02.88
<b>Shareholders' equity</b>			
Share capital	22.0	22.0	22.0
Non-distributable reserve	32.1	32.1	32.1
Retained earnings	342.9	315.1	330.7
	397.0	369.2	384.8
<b>Investments and loans</b>	363.0	332.9	346.5
Mineral rights	17.6	9.5	12.7
Debtors and cash	162.6	213.3	186.9
Dividend payable and other creditors	144.2	186.5	161.3
Net current assets	76.4	26.8	25.6
	397.0	369.2	384.8
<b>The market and directors' values of investments are:</b>			
Listed - market value	4 909.0	9 532.4	4 884.2
Unlisted - directors' valuation	252.2	209.9	214.5
Loans	30.4	21.9	19.8
	5 191.6	9 764.2	5 118.5
Number of shares in issue (000)	21 952	21 952	21 952
Net asset value (after providing for dividend) - cents per share	23 894	44 645	23 491

### Comment

Earnings for the six months to August 31 1988 were 7.1 per cent lower than those for the comparable period last year. Although gold production of mines in which the company is invested was lower during the first six months of the calendar year, gold revenue increased as a result of the higher rand price.

However, uranium sales were below the exceptional levels attained last year which was the result of repatching certain deliveries. In addition, the higher rand price of gold was offset by higher working costs in the industry and resulted in dividend distributions being marginally lower.

The average dollar price of gold during the first six months of 1988 increased by 5.8 per cent to \$453 per ounce, compared with \$428 during the first half of 1987. The rand price rose by 10.2 per cent from R875 to R965 per ounce, the larger gain reflecting the weakening of the rand against the dollar. The gold price retreated from the \$480 level in January but remained relatively strong around \$450 in April, May and June.

From the end of June, however, a weaker trend emerged which continued through July and August and early September. During July and August the dollar price averaged \$438 and \$431 respectively, but the rand price, which had exceeded R1 000 per ounce in June, averaged R1 025 for the month and rose to R1 048 and R1 058 respectively in July and August.

These contrasting movements result from the relatively faster depreciation of the rand since the end of May. The results for the second half of the financial year will depend largely on the prevailing rand gold price and the containment of working costs during the period.

### Dividend

On Thursday, September 8 1988, the directors of the company declared interim dividend No. 81, as follows:

Amount (South African currency) 650 cents per share

Last day to register for dividend (and for changes of address or dividend instructions) Friday, September 30

Registers closed from (to inclusive) Saturday, October 1 Saturday, October 15

Ex-dividend on Johannesburg and London stock exchanges Monday, October 3

Currency conversion date for sterling payments to shareholders paid from London Monday, October 3

Dividend warrants posted Thursday, November 3

Payment date of dividend Friday, November 4

Rate of non-resident shareholders' tax 14.952 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board Anglo American Corporation of South Africa Limited Secretaries per T S Johnson, Divisional Secretary September 9 1988

For and on behalf of the board  
J Ogilvie Thompson Directors  
G W H Rely



Head office: London office:  
44 Main Street 40 Holborn Viaduct  
Johannesburg 2001 London EC1P 1AJ

U.S. \$100,000,000

**GW**

Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate 8.50% per annum

Interest Period 9th September 1988 to 9th December 1988

Interest Amount per U.S. \$50,000 Note due 9th December 1988 U.S. \$1,074.31

Credit Suisse First Boston Limited  
Agent Bank

U.S. \$70,000,000

**Yodogawa Steel Works, Ltd.**

3 3/4% Guaranteed Notes Due 1991

with Warrants to subscribe for shares of common stock of Yodogawa Steel Works, Ltd.

To the holders of the above captioned Warrants: You are hereby notified that, as a result of a free distribution of shares of common stock of Yodogawa Steel Works, Ltd. to the shareholders of record as of 30th September 1988, Japan time at the rate of 0.08 shares for each share held, the Subscription Price of the above-captioned Warrants will be adjusted pursuant to Condition 7 of the Warrants under the Instrument dated 23rd December 1986 from Yen 450.00 to Yen 416.70 per share, effective as from 1st October 1988, Japan time. The date of issue of the shares to be issued upon such free distribution is 15th November 1988.

Yodogawa Steel Works, Ltd., 36 Minami Hommachi 4-chome, Higashi-ku, Osaka, Japan  
By: The Daiwa Bank, Ltd. as Principal Paying Agent

9th September 1988

**Consolidated Gold Fields Finance PLC**

£75,000,000

Guaranteed Floating Rate Notes 1995

unconditionally guaranteed by **Consolidated Gold Fields PLC**

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period 7th September 1988 to 7th December 1988, the Notes will bear interest at the rate of 12 1/8 per cent per annum. Coupon No. 15 will therefore be payable on 7th December 1988 at \$1,546.19 per coupon from Notes of \$50,000 nominal and \$154.62 per coupon from Notes of \$5,000 nominal.

S. G. Warburg & Co. Ltd. Agent Bank

U.S. \$75,000,000

**WERELDHAVE**

Weredhawe N.V.  
(Investment Company with variable capital)  
23 Nassaulaan  
2514 JT The Hague (Netherlands)  
1988

**INTERIM DIVIDEND**

The Board of Management have decided to pay an Interim Dividend of Dfl. 4.75 in cash per Ordinary Share of Dfl. 20.00 each for the financial year 1988. The interim dividend will be payable, less 25 per cent withholding tax, from 19th September 1988 on presentation of coupon No. 37.

Dividend coupons for cash payment may be presented at Pierson, Fielding & Pierson N.V., Algerien Bank Nederland NV, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Bank Mees & Hope NV, Credit Lyonnais Bank Nederland NV, Kampen & Co. NV, in Amsterdam, The Hague, Rotterdam and Utrecht, in so far as there established, at the offices of Generale Bank, Bank Brussel Lambert and Kredietbank in Belgium, or at the offices of Morgan Grenfell & Co. Limited, New Issue Department, 75 London Wall, London EC2M 4BN.

The interim report for the first six months of 1988 will be available at the offices of Morgan Grenfell & Co. Limited at the same address.

The Board of Management  
The Hague, 8th September, 1988

£100,000,000

**PRUDENTIAL**

Floating Rate Notes Due 1995

Interest Rate 12.2875% p.a.

Interest Period 7th September 1988 to 7th December 1988

Interest Amount per £10,000 Note due 7th December 1988 £305.51

Credit Suisse First Boston Limited  
Agent Bank

US\$50,000,000

**Alahli Bank of Kuwait (K.S.C.)**  
(Incorporated under the Commercial Companies Law of Kuwait)

Notice is hereby given that the Rate of Interest has been fixed at 9% and that the interest payable on the relevant interest Payment Date, March 9, 1989 against Coupon No. 9 in respect of US\$5,000 nominal of the Notes will be US\$228.25 and in respect of US\$250,000 nominal of the Notes will be US\$1,512.50.

September 9, 1988, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank

**CITIBANK**

**PAN - HOLDING**

Societe Anonyme

Luxembourg

As of August 31st 1988, the unaudited net asset value was USDOL. 253,655,257.76. USDOL. 412.50 per share of USDOL. 100 per value.

The consolidated net asset value per shares amounting, as of the same date, to USDOL. 412.76.

U.S. \$150,000,000

**First Interstate Overseas N.V.**

Guaranteed Floating Rate Subordinated Notes Due 1995

Guaranteed on a subordinated basis as to payment of principal and interest by **First Interstate Bancorp**

Interest Rate 8.4375% per annum

Interest Period 30th September 1988 to 30th December 1988

Interest Amount per U.S. \$10,000 Note due 30th December 1988 U.S. \$73.38

Credit Suisse First Boston Limited  
Agent Bank

U.S. \$500,000,000

**CITICORP**

Subordinated Bank Adjustable Note Capital Securities BANCS

Notice is hereby given that the Rate of Interest has been fixed at 8.625% and that the interest payable on the relevant interest Payment Date December 9, 1988 against Coupon No. 8 in respect of US\$50,000 nominal of the Notes will be US\$1,090.10.

September 9, 1988, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

UK COMPANY NEWS

London & Bishopsgate makes move on New Tokyo Investment Trust

LONDON & BISHOPSGATE Holdings, the private investment management company owned predominantly by Mr Robert Maxwell and Lord Donoghue, has made its long-awaited move on New Tokyo Investment Trust, the £24m fund managed by Edinburgh Fund Managers, writes Nikki Tait.

DIVIDENDS ANNOUNCED

Table with 5 columns: Company Name, Current payment, Date of payment, Corresponding dividend, Total for year, Total last year. Includes companies like Abbeycrest, Avdel, British Syphon, etc.

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. \$£Unquoted stock. ‡Third market. †Irish penny throughout. ‡ In Over-the-Counter Service.

BOARD MEETINGS

Table with 2 columns: Company Name, Date. Lists meetings for various companies like Avdel, British Syphon, etc.

Earnings growth to 35.16p reflects margins improvement

Reckitt & Colman makes £86.14m

By David Waller

RECKITT & COLMAN, household products, food and drugs group, increased pre-tax profits by 15.5 per cent to £86.14m for the first half of 1988.

Improved by two full percentage points to 7.5 per cent, reflecting the effect of integrating Durkee Famous Foods, bought from Hanson Trust in the autumn of 1986, and R.T. French.

to company's skills in managing mature markets by pruning costs, but also skilful acquisition spotting: the £12m deal with Beecham in Australasia and the Karlinsa personal care business being good examples.

Tioxide slowdown fails to stem 25% growth at Cookson

By Claire Pearson

COOKSON GROUP, specialist metals and chemicals company, yesterday reported a 25 per cent increase to £26m in pre-tax profits for the six months to June 30.

Wilson Bowden halftime surge

By Claire Pearson

WILSON BOWDEN, housing and property developer, lifted profits from £5.5m to £14.5m on a 71 per cent increase in turnover to £20.4m in the six months to June 30.

Pentos to acquire bookseller

By Andrew Hill

PENTOS, retail and office equipment group, is making a recommended £4.5m cash offer for A.R. Mowbray, a bookseller.

ADT revises conversion terms

By Andrew Hill

ADT, international services group, is making another offer of early conversion, on sweetened terms, to holders of its sterling-denominated second preference shares.

Redland dividend policy

By Andrew Hill

SIR COLIN Cornes, chairman of Redland, told the construction materials group's annual meeting that the board would treat its current nine-month financial year to December 31 as a normal 12-month trading period when it came to considering the level of dividend pay-

Wm Collins rises 62% to £11.8m

By Claire Pearson

WILLIAM COLLINS, publisher, increased interim pre-tax profits by 62 per cent from £7.5m to £11.8m, but operating profits slipped from £9.9m to £5.4m, writes Fiona Thompson.

British Syphon expands 27% to £2.79m

By Andrew Hill

British Syphon Industries, industrial holding company with manufacturing and manufacturing interests, yesterday announced a 27 per cent increase in taxable profits to £2.79m in the half-year to June 30, against £2.2m in the equivalent period.

Acorn back in profit at interim stage

By Terry Dodsworth, Industrial Editor

ACORN, the struggling UK computer company in which Olivetti Italy has an 80 per cent stake, swung back into profit in the first half of this year, helped by the launch of new Archimedes computer for schools.

Season reports £424,000 at midway

By Clay Harris

SEASON HOLDINGS, the Isle of Dogs-based shipping and cargo handling group which rescued Milford Docks Company last September, said yesterday that the Welsh harbour operator achieved a small operating profit in the six months to March 31, its first such surplus in many years.

MORGAN GRENFELL

GROUP INTERIM RESULTS 1988

Table with 4 columns: Metric, 6 months to 30.6.88 (unaudited) £000's, 6 months to 30.6.87 (unaudited) £000's, 12 months to 31.12.87 £000's. Includes Profit before taxation, Taxation, etc.

Extracts from the Interim Report

- Retained a leading position in domestic mergers and acquisitions
U.K. treasury operations ahead of expectations with strong performance in the foreign exchange, money markets and off balance sheet financing departments
International finance and banking activities performed strongly as did the Channel Islands banking subsidiaries

MORGAN GRENFELL GROUP PLC
23 Great Winchester Street, London EC2P 2AX
Telephone 01-588 4545 Telex 8953511 Fax 01-588 5598

Offices in Edinburgh, Frankfurt am Main, Geneva, Grand Cayman, Guernsey, Hong Kong, Jersey, Madrid, Milan, Monaco, New York, Paris, Singapore, Sydney, Tokyo
To obtain a copy of the Group's Interim Report for 1988 please write to or telephone the Group Secretary at the above address in London.

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National and Provincial Building Society
Japanese Yen 10,000,000,000
Floating Rate Notes due 1993
For the six months 6th September, 1988 to 6th March, 1989

gibbs and dandy plc
BUILDERS MERCHANTS
FIRST HALF ADVANCE
Half Year ended 30-6-88 Change on 1987
Turnover £12.04m +13%
Operating profit £0.55m +29%
Profit before tax £0.45m +18%
Earnings per ord. share 3.5p +17%
Dividend per ord. share 1.0p -

UK COMPANY NEWS

Castrol brand sales and fall in oil prices underpin all-round growth  
**Burmah improves 8% to £49.4m**

By Steven Butler

PRE-TAX profits at Burmah Oil, lubricants and fuels group, rose by 8 per cent to £49.4m in the first half of the year. Turnover rose from £510.3m to £581.1m.

Underlying the improved performance was a 16 per cent rise in lubricants volumes sold under the Castrol brand. Trading profits in the lubricants division, however, rose by just 5 per cent to £49.4m.

Mr Lawrence Urquhart, chief executive, said profits in lubricants were pared back by movements in foreign exchange rates and otherwise would have shown an 8 per cent improvement.

Raw materials other than base oils rose in cost, putting margins under some pressure. Burmah also increased expenditure in advertising and promotion in an effort to boost

market penetration. The rise in sales volumes came in a virtually static market.

"These results do not represent taking a short-term view of the company," said Mr Urquhart. "We are maintaining profitability at what we think is a satisfactory level while we invest to strengthen the company for the medium and longer term."

Mr Urquhart said that the recent fall in oil prices would be likely to benefit the group. Lower oil prices would work through to reduce Burmah's raw materials cost after a three to six month lag.

Trading profits in fuels distribution rose by 58 per cent to £6.3m, reflecting the acquisition of the ICI retail network at the end of 1987. Speciality chemicals saw an increase in operating profits from £5.9m to

£8.2m on the back of a 15 per cent increase in turnover.

The group's shipping division benefits from higher charter rates for its ultra-large carriers, and profits rose 16 per cent to £7.4m. Energy investments, including a stake in Premier Consolidated Oil, showed an 8 per cent profit growth to £2m.

Interest charges rose from £4m to £8.6m, reflecting the higher level of investment. The group's gearing ratio, excluding cash involved in the liquidated natural gas shipping business, rose to 30 per cent.

Mr Urquhart said that this was expected to rise further as the group continued to expand, and that acquisitions under £50m could be anticipated.

Earnings per share rose by 14.8 per cent to 21.51p, and an interim dividend was declared

at 7p, up from 6p.

**COMMENT**

Burmah Oil has brought forward yet another set of solid results. With its market share around the world continuing to rise and oil prices tumbling, earnings appear set to grow even more quickly in the months, and probably years, ahead. The major oil companies are powerless to stop the advance of Burmah's finely honed marketing strategy. Net income for the year of £82m would put the shares on a prospective p/e of 11. That is unjustifiably close to the market average for a company that has better-than-average growth prospects and promises resilience in the face of the uncertain outlook for economic growth and exchange rate fluctuations that lie ahead.

**Tyne Tees rises 10% to £2.81m at halfway**

By Fiona Thompson

TYNE TEES Television Holdings, IBA contractor for the north-east and North Yorkshire, company reported a 10 per cent rise in pre-tax profits from £2.53m to £2.81m for the six months to June 30 1988.

Advertising revenue rose by 11 per cent, less than the ITV network's 15 per cent increase, "but we are holding our own in terms of market share," said Mr David Reay, managing director. Tyne Tees has a 3.25 per cent share of total network revenue, marginally down on last year's 3.87 per cent.

The continued shift of advertising revenue from the north to the south-east has affected Tyne Tees, as it has all contractors outside the south, but, according to Mr Reay, the situation has bottomed out. "The continued shift of advertising revenue has slowed down and we feel there is a new buoyancy in the north-east."

An exceptional charge of £584,000 related to voluntary early retirement and leaving scheme costs for 50 employees. "The benefits of 50 less salaries will be felt in the second half," said Mr Reay.

Local pay and conditions deals agreed this summer with its four unions, made Tyne Tees the first commercial television company to pull out of national deals.

The company has decided to write off its investment in Superchannel, treating the £800,000 as an extraordinary debit.

Exchequer levy was £1.16m, compared with £1.06m. Tax took £1.02m (£984,000). Earnings per share rose from 15.32p to 16.83p. An interim dividend of 5p (3.75p) has been declared.

**COMMENT**

Tyne Tees suffers from its own success. Because of its very high viewing figures it pays the penalty of losing advertising market share, as advertisers need buy less time to reach the same amount of people. The 11 per cent rise in advertising revenue from £23.4m to £25.9m was slightly disappointing and the shares fell 6p to close at 306p. There has also been a bit of a hiccup in programme making, cutting programme sales income from £3.2m to £2m. But this aside, Tyne Tees has led the way on local union agreements and, in so doing, cut costs sharply. Staff numbers stand at 590 now on a 6 per cent 28 month pay deal - it has an aggressive management and sales force, and programme sales should pick up with a strong autumn schedule. The City is looking for profits of £7.5m, putting the shares on a prospective p/e of about 7, cheap given the yield.

**Overseas sales growth helps Avdel to £5.6m in first half**

By Nikki Tait

AVDEL, the engineered fastenings and assembly systems company formerly known as Newman Industries, yesterday announced pre-tax profits up from £4.3m to £5.6m in the six months to end-June.

Sales on continuing businesses rose from £36.2m to £40.7m. The company says that this 12.5 per cent value increase masks an underlying volume increase of 17 per cent. The company says that advances were made in all geographic regions, with the UK now accounting for around 24 per cent of sales, North America for a fifth, and West Germany and Japan for about 14 per cent each.

The interest charge falls from £1m to £844,000 while, below the line, there is an extraordinary credit of £2.4m

representing profits on the sale of land. Earnings per share are up from 2.3p to 2.7p. The interim dividend goes up by 20 per cent to 0.6p.

Last month, US-based Banner Industries, headed by Mr Jeffrey Steiner, announced that it had acquired an option over a 27.5 per cent stake in Avdel from engineering company Suter.

**COMMENT**

For once, a change of name appears to signal more than an over-assertive PR adviser. The first set of figures which fully reflect Newman's decision to concentrate on its successful Avdel fastenings business look pretty creditable, with overseas sales leading the volume advance. The company maintains that it received little benefit from price increases in the first half; in the current period, conditions should be more favourable both on this score and on the currency front. The balance sheet, too, begins to be more presentable with gearing down to around 60 per cent. That may still impede major cash acquisitions in the immediate future, but some modest deals, utilising the sales network, look increasingly possible. The shares, of course, are rather more concerned with Mr Steiner's intentions, and - Banner having invested £3.5m in the option - are probably right to assume these are far from fly-by-night. That said, if forecasts of wall over £11m pre-tax for the full year are correct, the bid premium - although undeniably there - does not look huge.

**Exceptional credit pushes Wembley profit to £7.5m**

By Philip Coggan

WEMBLEY, the sports stadium and greyhound racing group, yesterday announced an increase in interim 1988 pre-tax profits from £1m to £7.5m, with the help of a £4.14m exceptional credit.

The company, which was formerly known as GRA, is declaring an interim dividend of 0.5p per share. For 1987 it made a single payment of 1.1p.

The exceptional credit relates to a payment from a Wembley Complex tenant, in return for variation in the terms of a lease and there is also an extraordinary credit of £1.18m representing the surplus on disposal of land and buildings.

Wembley stadium has been used much more extensively in recent months, for events such as a concert by Michael Jackson and an American Football

**Keep Trust up sharply at six months**

By Philip Coggan

GREYHOUND racing is also enjoying a period of revival.

Mr Brian Wolfson, chairman, said the group would continue to develop the Wembley complex. Further executive boxes were being installed in the stadium and the Arena was being revamped.

The group will benefit in the second half from the inclusion of Pacer Corporation, the US automatic ticketing systems company, and from a £3.75m extraordinary profit resulting from the sale of the former White City stadium in Manchester.

Trading profit for the half year to June 30 increased from £2.51m to £4.75m on higher turnover of £19.5m (£15.6m). Net interest payable was £1.48m (£1.5m). Fully diluted earnings were 5.6p (0.3p).

Keep Trust, with interests in investment, motor trading and engineering, saw pre-tax profits for the first half of 1988 increase 84 per cent to £2.2m. The company is raising the interim dividend 25 per cent to 3.75p.

Turnover was ahead at £52.02m (£45.85m) and this time there was no interest charge (£306,000).

Tax increased to £776,000 (£422,000) and earnings worked through at 14.6p (11.3p) per share.

Keep said that trading in its operating businesses remained satisfactory. At the beginning of August, Gordons (Stockport), a group of four Ford dealerships, was acquired for £10.4m, and first indications were that the reorganisation of Gordons would produce substantial benefits for shareholders, Keep said.

**Simon calls off plans to sell TR**

Simon Engineering has abandoned plans to sell TR International (Chemicals) to Amalgamated Metal Corporation, a subsidiary of Fressage, the West German group.

The two companies announced in May that TR, a chemicals merchandising group, would be sold for £5.2m cash. However, they were unable to agree on contractual details. Simon indicated yesterday that TR was not one of its core activities and would probably be sold.

**Asset Trust lower at interim stage**

Pre-tax profits at Asset Trust, fund manager, showed a reduction from £704,000 to £558,000 in the first six months of 1988.

Profits in the second half of last year were £499,000 and the company ascribed the reduction this time to the buoyant stock market conditions in the first six months of 1987.

Earnings per 10p share came out at 2.3p (3.16p) basic and 2.35p (2.83p) fully diluted.

The directors have maintained the interim dividend at 1.5p.

**Lep Group**

Lep Group, freight forwarding, transport and property company, filed a registration statement with the US Securities and Exchange Commission in connection with the proposed listing of the shares on the Nasdaq over-the-counter system and its acquisition of National Guardian, a US security services company. The latter's board is recommending a vote in favour of the Lep deal at a meeting on September 29.

**Enterprise Oil leaps to £43.4m**

By Steven Butler

ENTERPRISE OIL, Britain's biggest independent oil company, yesterday reported a 78 per cent surge in net profits to £43.4m, while earnings per share rose from 8.5p to 15.1p.

The improved performance came in spite of falls in turnover and gross profits resulting from lower oil prices. Turnover fell from £111.9m to £98.9m, while gross profits declined by nearly 55m to £90.8m.

The improved net results came from reduced exploration costs, interest income, and a £17.4m gain on asset disposals, notably the company's sale of its stake in Tricentrol, the independent oil company.

Taxes were also cut from £13.0m to £4.5m, reflecting a fall on the corporate tax charge from £14.5m to £7.2m, and a rise in petroleum revenue tax credit, from £9.6m to £2.7m.

Crude oil production during the period averaged 56,000 barrels a day, compared to 55,100 b/d in the previous period of 1987. This should rise to 64,000

b/d in the rest of the year.

The average price realised for a barrel of oil was £9.50, compared to £11 in the first half of 1987. The fall in the dollar-denominated oil price was partly offset by the fall in sterling and the group's hedging operations on oil and foreign exchange markets.

The group's net cash and liquid resources rose from £130m at the start of the year to £163m at the end of June. The company has £408m in liquid assets, and shareholders funds were increased by £158m by a rights issue in July, which was 96.7 per cent subscribed.

An interim dividend was declared at 4.5p, an increase of 12.5 per cent.

**COMMENT**

Enterprise Oil is unlikely to earn much more than half of what it reported in the first six months of the year when it adds up its July to December

figures. Oil prices are getting worse, and it is unlikely to report anything so stellar in the asset disposal column. This should none the less not detract from the fact that Enterprise is the most robust as well as the biggest British independent. It made a good sized acquisition in July and found shareholders happy to back the deal. It should feel little pressure to pounce again, but has plenty of cash to move if it sees the right opportunity to buy something else and put the finance in place before oil prices begin to tumble seriously. It has shown both that it can make deals and find new oil in the ground. And with Lasso, which holds a 25 per cent stake in Enterprise, under pressure for its own independence, Enterprise will almost certainly be under bid speculation for some time to come. Its golden share, which the Government could use to block a takeover, expires at the end of the year.

**Stanco Exhibition buy**

By Nikki Tait

STANCO EXHIBITION Group, the exhibition stand contractor, which came to the Unlisted Securities Market just over a year ago, is buying Evans Town and Country Markets for a maximum of about £5.9m.

Evans specialises in managing and operating outdoor/door markets, both on its own sites and for other owners. In the year to end-March, it made pre-tax profits of £50,000. Net assets were put at £1.65m.

Consideration comprises an initial payment of £4.16m to members of the Evans family. In addition, the vendors will be paid seven times pre-tax profits

**Sherwood Computer in the red**

Substantial losses at its Corporate Technology Group subsidiary pushed Sherwood Computer Services sharply into the red in the six months to end-June.

During the period, Sherwood, USM-quoted computer bureau and software development group, incurred a deficit of £1.2m against pre-tax profits of £461,000 last time, on turnover of £11.67m (£7.29m). The loss per 10p share was 29.7p (earnings of 10.4p). The interim dividend is omitted (1.5p).

for the year to end-March 1988, less the initial consideration. However, a maximum of £1.74m has been set on the additional sum; this becomes payable if profits top £800,000.

The initial consideration will be settled by issuing 8.31m Stanco shares to the vendors, of which 4.6m are being placed by brokers Jacobson Townsley at 45p. Existing shareholders can claw back on a one-for-eight basis at the same price.

Vendors have agreed not to sell any further shares without the company's consent before September next.

**"The outlook for THORN EMI is for solid growth and increased profitability."**

In the Annual Report describing last year's activities I was pleased to report a substantial increase in the overall profitability of your company which has enabled your directors to propose an increase in the final dividend, making a total for the year of 22.0p - a rise of 19 per cent over the previous year.

I am equally pleased to report today that our businesses continue to keep up the momentum underlying last year's growth.

In Rental and Retail, our UK rental business continues to consolidate its leadership position and its share of installations is running at over 60 per cent.

In International Rentals, Rent-A-Center in the USA has been growing consistently and in line with our plans. More than 80 new shops have been opened since the start of the year. Acquisitions made last year in Continental Europe and Eire, have been successfully integrated. Two further acquisitions announced recently give THORN International Rentals pre-eminence in the Australian rental market and expand its rapidly growing business in Hong Kong. All together, these successful acquisitions have given our Rental business unquestioned world leadership in its market sector.

Our Music business continues to grow. It has made a most encouraging start to the year, reflecting the investment in repertoire made in recent years and other improvements.

Lighting enjoys steady improved performance over this time last year, while continuing to increase its market share. The successful acquisition of the Holophone group in France, demonstrates our determination to expand our business and become the strongest lighting solutions company in the world.

In Technology, I am pleased to report that our Defence Electronics business performs well in a mature market. The first half has also seen a significant progress in our Software business. The acquisitions of Financial Trading Systems in the USA, and of Informatic-Forum in Germany, have significantly added to our scope and international capability in the important and increasingly global financial services market.

Our Security business has restructured its operations to concentrate its market drive. The acquisition of Kidde Automated Systems in the USA gives us an important foothold in this sector of the very large US security market.

As part of our strategy for international focus, we reached an agreement, in principle, with Ericsson of Sweden to sell them our 51% interest in Thorn Ericsson. The nature of our agreement with our partner restricted Thorn Ericsson to the UK telecommunications market.

And finally - Inmos.


Today, Inmos is a much stronger company. It is now trading profitably, with sales substantially ahead of the same period last year and order intake at a record level. It remains our policy to find a partner or partners to participate in the future development of this business.

Our overall achievements in 1987/88 and our performance so far this year are a direct result of the environment for success created by the extensive re-structuring of your company and our strategy to focus on the businesses we know best. Our progress continues to demonstrate the effectiveness of our new operating and management style.

I am pleased to report your company now has strength in depth. Our financial position remains strong. We have started the year well. The track record is established. The strategy is sound. The outlook for THORN EMI is for solid growth and increased profitability.

**THORN EMI plc**

**Annual General Meeting**  
**8 September 1988**



**THORN EMI**

THORN EMI plc, 4 Tenterden Street, Hanover Square, London W1A 2AY.

UK COMPANY NEWS

Agency side prominent in Hestair's doubled profit

By Andrew Hill
HESTAIR, the diversified group with interests from baby buggies to fire engines, doubled pre-tax profits to £10.1m in the six months to July 31, from £5.6m.

Sutcliffe Speakman seeks £4.7m to expand

By Clay Harris
SUTCLIFFE SPEAKMAN, manufacturer of activated carbon and solvent recovery systems, is to pay £2.5m for the water screening and filtration division of Hawker Siddeley, international engineering group.

P-E improves 50% to £2m halfway on back of Inbucon

By David Walker
P-E INTERNATIONAL, the management and computer consultancy, yesterday reported a 50 per cent improvement in pre-tax profit to £2.0m for the first half of 1988.

IBC logo
I am happy to report a pre-tax profit of £6.4m for the first 6 months of 1988 compared with £1.9m for the same period last year.

Park Food pays £8.2m for rival hamper group

By Nikki Teit
PARK FOOD Group, which makes the bulk of its profits from packing and supplying hampers, is acquiring Country Group, a rival hamper company, for £8.2m cash, subject to a retention of £500,000.

Reduced profits for Technology Project halfway

Although profits declined from £576,000 to £522,000 in the half year ended June 26 1988, the directors of Technology Project Services felt the period was a good one.

CHI grows with three acquisitions

CHI Industrials, specialist engineering and building chemicals group, announced three small acquisitions. It is buying Salemark (UK), a trade distributor of carpet underlay.

ABB Kent in recovery

ABB KENT (Holdings) has recovered slightly from the disappointing second half of 1987 which contributed only £1.4m to full-year profits of £6.5m.

Western Motor rises to £4.9m

By Kevin Done, Motor Industry Correspondent
WESTERN MOTOR Holdings, the car importing, retailing and transporter group, more than trebled pre-tax profits in the six months to June 30, helped by the acquisition late last year of the UK importer of Soviet-built Lada cars.

Dolphin jumps to £2.36m

DOLPHIN PACKAGING finished the year ended May 31 1988 with a rise of 54 per cent in pre-tax profit, from £1.53m to £2.36m.

SANWA AUSTRALIA LEASING LIMITED AS100,000,000 Floating Rate Notes Due 1993

Slough Estates plc Interim Results for 1988
Table with columns for 1988, 1987, Increase. Profit before tax £34.1m, £28.0m, +21.8%. Attributable profit £24.3m, £20.0m, +21.5%. Earnings per share 8.8p, 7.4p, +18.9%. Dividend per share 3.3p, 2.8p, +17.9%.

Friendly Hotels profit doubled

THE fast-expanding Friendly Hotels more than doubled its midway pre-tax profit and is raising the interim dividend from 1.75p to 2.25p.

Abbeycrest advances 51% to £0.55m

In its first interim report since obtaining a full listing, Abbeycrest, designer, maker and distributor of jewellery, announced pre-tax profits up 51 per cent from £363,000 to £549,000 for the first half of 1988.

Allied-Lyons selling sign maker for £10m

By Clay Harris
ALLIED-LYONS, food and drinks group, is selling Oldham Chisdon, its sign manufacturing, installation and maintenance subsidiary, for £10m to Torday & Carlisle, Newcastle-based specialist engineering company.

Ariel Industries plans de-listing

By Clay Harris
Ariel Industries, manufacturer of fasteners, closures and aerospace components, plans to go private.

COMPANY NEWS IN BRIEF
ACRE OIL: acceptances in respect of British Gas offer total 85.2 per cent... ARIEL INDUSTRIES: manufacturer of fasteners, closures and aerospace components... FRIENDLY HOTELS: profit doubled...



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Interest centres on EMS

TRADING VOLUME was relatively low in currency markets yesterday, and what interest there was, centred on fluctuations within the European Monetary System.

The D-Mark was fixed at a record high against the Italian Lira at 1,747.56 against 1,747.15 on Wednesday and the Bank of Italy sold both D-Marks and French francs at the fixing. Despite its firmness, the D-Mark is still well below its EMS upper limit of 1,765.40.

The Bank of France was also active, as the D-Mark traded close to a six-month high against the French franc. It was fixed at FF23,400, and although this was marginally down from FF23,408 on Wednesday, it was still well above the D-Mark's strength was only contained by sales of around DM140m by the Bank of France, when the D-Mark touched FF23,407 earlier in the day.

Dealers suggested that the French authorities are anxious to keep the D-Mark below the FF23,400 level. Elsewhere the Belgian franc was fixed at a record low against the D-Mark. Market opinion remained fairly evenly divided over the possibility of an early EMS realignment. Dealers noted comments by Mr Karl Otto Poehl, Bundesbank president,

when he stressed that there is no need for a re-alignment of parities. Speaking after a regular meeting of the Bundesbank central council, he added that there have been no noteworthy tensions in the EMS.

Dealers conceded that all currencies were currently trading within their divergence limits, but there was concern that renewed strength in the D-Mark could put further pressure on exchange rate parities. Elsewhere the D-Mark faced less favourably. Fears of higher Japanese interest rates, and recent statements highlighting the strong growth-inflation position of the Japanese economy, tended to increase interest in the yen. The latter was also boosted by the news that the yen will be revalued against the D-Mark at 166.50, but had slipped to 172.57 by mid-morning and 172.35 in the afternoon. It closed at 172.29, above the FF23,400 level.

The pound opened at 172.61, little changed from last night's close of 172.57, but had slipped to 172.57 by mid-morning and 172.35 in the afternoon. It closed at 172.29, above the FF23,400 level.

The pound closed at 172.29, above the FF23,400 level. The pound closed at 172.29, above the FF23,400 level. The pound closed at 172.29, above the FF23,400 level.

Table with columns: Country, Rate, Change, etc. Includes entries for Belgium, France, Germany, Italy, etc.

FINANCIAL FUTURES

Sterling contracts decline

STERLING INTEREST rate contracts weakened on lifts, as the pound declined, and the market remained nervous about UK economic data later this month.

Traders fear sharp growth in M0 money supply and another large balance of payments deficit. The market generally expects bank base rates to remain at 12 p.c. in the near future, but there is concern about a possible run on sterling if the money supply and trade figures continue to disappoint.

There was also some dismay at the result of the CBI August distributive trades survey, showing that 73 p.c. of retailers questioned thought September sales would be higher than a year ago. This indicated that increases in interest rates have so far had a limited effect in dampening the growth in consumer demand.

US Treasury bonds also declined on lifts, following a weak opening to prices in Chicago. The market was said to be nervous ahead of today's US producer price index.

Table with columns: Contract, Price, Change, etc. Includes entries for Sterling, US Treasury, etc.

EUROPEAN OPTIONS EXCHANGE

Large table with columns: Series, Bid, Ask, etc. Lists various European options contracts.

IN NEW YORK

Table with columns: Contract, Price, Change, etc. Lists US market data.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Term, Rate, etc. Shows pound spot and forward rates.

STERLING INDEX

Table with columns: Index, Change, etc. Shows sterling index values.

CURRENCY RATES

Table with columns: Country, Rate, etc. Lists various currency rates.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Term, Rate, etc. Shows dollar spot and forward rates.

BURO-CURRENCY INTEREST RATES

Table with columns: Term, Rate, etc. Shows bureau currency interest rates.

TOTAL VOLUME IN CONTRACTS: 18,810

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Table with columns: Bank, Rate, etc. Lists base lending rates for various banks.

CURRENCY MOVEMENTS

Table with columns: Country, Rate, etc. Shows currency movements.

EXCHANGE CROSS RATES

Table with columns: Country, Rate, etc. Shows exchange cross rates.

FT LONDON INTERBANK FIXING

Table with columns: Term, Rate, etc. Shows FT London interbank fixing rates.

MONEY RATES

Table with columns: Term, Rate, etc. Shows money rates.

NEW YORK

Table with columns: Term, Rate, etc. Shows New York market data.

LONDON MONEY RATES

Table with columns: Term, Rate, etc. Shows London money rates.

MONEY MARKETS

London rates firm

INTEREST RATES were firmer in London, continuing to reflect the performance of sterling on the foreign exchanges. A weakening of the pound, and a fall of short sterling futures on lifts, pushed rates higher.

In Frankfurt call money was steady at 4.75 p.c. after the Bundesbank council left its credit policy unchanged at yesterday's meeting. Credit conditions were comfortable, following an allocation of DM8.8bn at this week's securities repurchase agreement tender, replacing an existing agreement of DM17.8bn.

Mr Claus Koehler, a Bundesbank Board member, told a news conference after the council meeting, "we have achieved our aim of getting all money below the Lombard rate". The Lombard emergency financing rate was left at 5 p.c. at the council meeting, and the discount rate at 3.5 p.c.

In New York the US Federal Reserve added funds to the banking system via \$1.5bn of customer repurchase agreements, when Federal funds were trading at 8 1/4 p.c. In Milan the Bank of Italy provided liquidity to the banking system through a 1,500bn reverse securities repurchase tender, at a rate of 11.97 p.c., compared with 12.01 p.c. previously.

The maximum rate dropped to 12.05 p.c. on 12.25 p.c. and the paper is for repurchase between September 26 and 30.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained \$23m, with a rise in the note circulation, but absorbing \$50m, and bank balances below target \$25m. These factors were offset by Exche-

The Royal Bank of Scotland plc. Alteration to Interest Rate. Notice to shareholders of Lloyds Bank Plc. Interim dividend 1988-89 scrip dividend alternative.

Lloyds Bank. THE THOROUGHbred BANK. Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS. A member of IMRO.

Standard Chartered. Standard Chartered PLC. Floating Rate Primary Capital. Interest accrued to 11th October, 1988 and payable on 6th January, 1989.

TLC Beatrice International Holdings, Inc. a member of TLC Group, L.P. controlled by Reginald F. Lewis.

United Biscuits (Holdings) plc. Interest accrued to 11th October, 1988 and payable on 6th January, 1989.

Drexel Burnham Lambert. Standard Chartered Merchant Bank Limited Agent Bank.

Standard Chartered. Standard Chartered PLC. Floating Rate Primary Capital. Interest accrued to 11th October, 1988 and payable on 6th January, 1989.

Standard Chartered. Standard Chartered PLC. Floating Rate Primary Capital. Interest accrued to 11th October, 1988 and payable on 6th January, 1989.

Standard Chartered. Standard Chartered PLC. Floating Rate Primary Capital. Interest accrued to 11th October, 1988 and payable on 6th January, 1989.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr Mgmt Ltd, Abnott Management Ltd, and others, including their names and brief descriptions.

Table listing unit trusts under the heading 'Abnott Management Ltd (100000)', including details like 'Abnott Growth' and 'Abnott Income'.

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I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGIO.

JOTTER PAD: A grid for writing notes, with columns for dates and times.

CROSSWORD

No. 6,729 Set by CINEPHILE. One of a set occurs at either the beginning or the end of the solutions marked \*, and is disregarded in the subsidiary parts of the clues.

Crossword puzzle grid with numbers indicating the start of words.

- ACROSS: 1 Blondes, including queen, are holy people (6). 4 Goody! He's so funny! (3,5). 10 Pole left with cunning (7). 11 Sick person that won't wash? (7). 12 Confined to the house? (4). 13 A scuff's a cocky person (10). 15 With some blood he has to dress (6). 16 Squid's squirts replaced in scum (3,4). 20 Extend one's time inside (7). 21 Stick bit on this board? (6). 24 Thoroughly clean model in place of game (5,5). 26 Accent one can't get rid of? (4). 28 Height of former Labour-party leader (3,4). 29 Mathematician or social reformer? That's right (7). 30 Inclination to say it isn't about 100 (5). 31 Tooth needs calcium (6). DOWN: 1 Holy Father comes in to countenance rapid rate (4,4). 2 Letters in support of roof beams (5,4). 3 Craze for counter agency (4). 4 Western man's going to work on an egg (5). 6 Stage whisper describing mini-Rugby (5,1-4).

Main table of unit trusts, organized by company name (e.g., Abnott Management Ltd, Alliance Unit Trusts Ltd, etc.) and listing various fund names, their objectives, and performance data.

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GUIDE TO UNIT TRUST PRICING. The data included under the Authorised section of the FT Unit Trust Information Service is being included to improve the service to readers and to conform with new legislation. This revision, the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units. The price at which units may be bought. THE PRICE at which units may be sold. CALCULATION OF PRICE. The maximum amount between the offer and bid price is determined by a formula laid down by the government. In practice, unit trusts quote a much narrower spread. As a result, the bid price is often well above the minimum permissible price which is called the cancellation price in the table. However, the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers. THE TIME CHANGES along the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set. Another time is indicated by the symbol 'L' in the table. This indicates that the bid price is set on a 1000-hour basis. This means that, unless there has been an interventionist portfolio reallocation, investors can normally buy and sell units today at the price appearing in the newspaper which have been set on the basis of yesterday's closing price. FORWARD PRICING. The letter 'F' denotes that prices are set on a forward basis so that investors can be given an advance price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the price at which deals were carried out yesterday. Other explanatory notes are contained in the last column of the FT Unit Trust Information Service.

Handwritten signature or note at the bottom of the page.

Handwritten note: "لا، لا، لا"

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. Includes sub-sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts with columns for Name, Price, Yield, and other details.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with columns for Name, Price, Yield, and other details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for company name, fund name, and performance metrics. Includes sections for 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

MANAGEMENT SERVICES

David M. Adams (Personal Fin. Plng.) Ltd.
The Analysis Group PLC
A. D. Ward Financial Services Ltd.

OFFSHORE AND OVERSEAS

UK LISTED

Allied Dunbar International Fund Mgrs.
A.I. Management Co.
A.I. Investment Services Ltd.

OFFSHORE INSURANCES

Ally International Assurance Ltd.
Alliance Assurance Group
Alliance Assurance (Overseas) Ltd.

Handwritten signature: John, 10/1/88

FT UNIT TRUST INFORMATION SERVICE

Table containing FT Unit Trust Information Service data, including columns for fund names, prices, and performance metrics. It is organized into sections like 'Equity & Law Unit Trusts', 'Fixed Income', and 'Other Offshore Funds'.

LONDON SHARE SERVICE

Table containing London Share Service data, including columns for share names, prices, and performance metrics. It is organized into sections like 'British Funds', 'Foreign Bonds & Rails', and 'Commonwealth & African Loans'.

Table containing Money Market Trust Funds and Bank Accounts data, including columns for fund names, prices, and performance metrics. It includes sections for 'Money Market Trust Funds' and 'Bank Accounts'.

Handwritten note in Arabic script at the top center of the page.



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LONDON SHARE SERVICE

LEISURE - Contd

Table of share prices for Leisure sector including companies like Leisure Group, Leisure World, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of share prices for Paper, Printing, Advertising sector including companies like Newsprint, etc.

TEXTILES - Contd

Table of share prices for Textiles sector including companies like Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, Land sector including companies like Finance, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas sector including companies like Oil, etc.

MINES - Contd

Table of share prices for Mines sector including companies like Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors, Aircraft Trades sector including companies like Motors, etc.

PROPERTY

Table of share prices for Property sector including companies like Property, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land sector including companies like Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like Third Market, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers, Publishers sector including companies like Newspapers, etc.

SHIPPING

Table of share prices for Shipping sector including companies like Shipping, etc.

FINANCE, LAND, etc

Table of share prices for Finance, Land, etc sector including companies like Finance, etc.

Far West

Table of share prices for Far West sector including companies like Far West, etc.

Central African

Table of share prices for Central African sector including companies like Central African, etc.

DIAMOND AND PLATINUM

Table of share prices for Diamond and Platinum sector including companies like Diamond, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, Advertising sector including companies like Paper, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector including companies like Shoes, etc.

SOUTH AFRICANS

Table of share prices for South Africans sector including companies like South Africans, etc.

FINANCE

Table of share prices for Finance sector including companies like Finance, etc.

OIL AND GAS

Table of share prices for Oil and Gas sector including companies like Oil, etc.

REGIONAL & IRISH STOCKS

Table of share prices for Regional & Irish Stocks sector including companies like Regional, etc.

TEXTILES

Table of share prices for Textiles sector including companies like Textiles, etc.

PROPERTY

Table of share prices for Property sector including companies like Property, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land sector including companies like Finance, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector including companies like Overseas, etc.

PLANTATIONS

Table of share prices for Plantations sector including companies like Plantations, etc.

THIRD MARKET

Table of share prices for Third Market sector including companies like Third Market, etc.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

TRADITIONAL OPTIONS

Table of traditional options including 3-month call rates for various sectors like Industrials, Property, etc.

PROPERTY

Table of property options including various types of property.

MINES

Table of mine options including various types of mines.

A selection of options traded in the London Stock Exchange Report Page. This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £540 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Thursday September 8 1988, Wed 7, Thu 8, Fri 9, Year (approx). Rows include CAPITAL GOODS (210), Building Materials (29), Contracting, Construction (57), etc.

Table with columns: PRICE INDICES, Day's Change, Wed 7, Fri 9, Year (approx.). Rows include British Government, 1-5 years, 5-15 years, etc.

COMPANY NOTICES

PETROFINA notice to holders of Warrants to acquire bearer shares of no nominal value of Petrofina S.A. attached to DM 250,000,000 2% Bearer Bonds 1986-1993 and US\$ 100,000,000 4% Bearer Bonds 1986-1996 of Mafina B.V.

REMY FINANCE B.V. FRF 300,000,000 GUARANTEED FLOATING RATE NOTES DUE 1993. For the three months, September 06, 1988 to December 05, 1988, the rate of interest has been fixed at 8 1/2% p.a.

UNILEVER N.V. 7% AND 6% PREFERENCE SUB-SHARES. N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR.

KAWASAKI STEEL CORP. Japanese Yen 10,000,000,000 Reverse Floating Rate/Fixed Rate Notes Due 1998.

BANQUE NATIONALE DE PARIS. Floating Rate Note issue of USD 400 millions September 1988.

CLUBS. EVE has outlived the others because of a policy on fair play and value for money.

RISES AND FALLS YESTERDAY. Table with columns: Rises, Falls, Same. Rows include British Funds, Corporations, Dominion and Foreign Bonds, etc.

LONDON RECENT ISSUES. Table with columns: Issue, Amount, Date, Price, etc. Rows include Equities, Fixed Interest Stocks, Rights Offers.

FIXED INTEREST STOCKS. Table with columns: Issue, Amount, Date, Price, etc. Rows include various fixed interest securities.

RIGHTS OFFERS. Table with columns: Issue, Amount, Date, Price, etc. Rows include various rights offers.

TRADITIONAL OPTIONS. Table with columns: Issue, Amount, Date, Price, etc. Rows include various traditional options.

GOTHENBURG & WEST OF SWEDEN. The Financial Times proposes to publish a Survey on the above on 14th October 1988. For a full editorial synopsis and advertisement details, please contact: Chris Schaanning on 01-248-8000 ext 3699 or write to him/her at: Bracken House, 10 Cannon Street London EC4P 4BY.

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COMMODITIES AND AGRICULTURE

Nickel tumbles \$1,800 in 'overdue correction'

By David Blackwell

NICKEL PRICES fell sharply on the London Metal Exchange in what dealers described as an overdue correction to the high levels of the past few months. The decline began in pre-market trading after some selling by West German merchants. As prices started to fall, stop-loss selling orders were triggered and the crucial \$12,500-a-tonne chart support level was breached. By the end of the afternoon there was some panic selling by dealers. Cash nickel closed down \$1,800 at \$11,300 a tonne, equivalent to \$5.13 a lb.

Part of the reason for this year's high prices has been the troubles suffered by a single producer - Falconbridge of Canada. Problems with shipments of ferro-nickel from its Dominican Republic subsidiary were followed by a strike at the Sudbury smelter in Ontario. The fact that those problems are now behind the company contributed to yesterday's price fall, analysts said. In addition, buyers have not come into the market to the extent that might have been expected this month, according to Mr Neil Buxton of Shearson Lehman. He believes that given the tightness of the market, the potential for a bounce in prices remains, although it will not regain all yesterday's losses. "We have said goodbye to \$6.50 a lb," he said.

Tribunal backs coal owners

By Bruce Jacques in Sydney

THE AUSTRALIAN coal industry is facing probably the most fundamental work practice changes in its near-200 year history following a decision handed down yesterday by the Coal Industry Tribunal, the federal dispute-settling body. In a complicated 160-page decision, the tribunal has granted most of the changes applied for by the industry's employer groups, but has also handed out a wage rise to the unions. And to give its ruling some clout, the wage rise - an across the board \$4.6 a week plus 4 per cent - is conditional on the unions agreeing to the changed work practices recommended. The major changes include: Mines should extend their production week to six days, from the current five days.

Shift lengths should be extended from seven to eight hours. Production should continue year-round, and the three week Christmas shutdown should be abolished. Mr John Maitland, president of the Miners' Federation, the key coal mining union, was guarded yesterday in his reaction to the document, although other union officials privately showed their disapproval. Mr Maitland said the document contained potential for conflict, especially if the producers tried to force through the recommended changes. But the executive director of the Australian Coal Association, Dr Barry Ritchie, left little doubt that employers expected the Tribunal's recommendations to be implemented as soon as possible. He said producers had already incurred losses of more than \$450m (£236m) in the past 18 months in their campaign for improved work practices. Dr Ritchie said implementation of the recommendations was vital to the industry's survival, and removing the current centralised system, they had allowed flexibility for industrial negotiations to be carried out at individual mine sites, taking into account particular regional problems. The Tribunal document pointed out that in the past 18 months, coal miners had foregone wage rises and agreed to some changed work practices while their numbers had been cut dramatically. The wage rise would only bring them into line with the bulk of the Australian workforce.

Ministers gather for rural policy discussions

By Tim Dickson in Brussels

AGRICULTURE MINISTERS of the European Community were last night gathering near Athens for an informal meeting which should give some sign of their first reactions to the European Commission's important new plans for rural areas. The two-day session is not intended to reach any firm conclusions, but it should provide a broad indication of national views on the Commission's ideas for promoting more balanced rural development. Set out in a document (Comm 501) finalised by the Brussels authorities in July, these go beyond questions directly relating to agriculture to embrace wide-ranging social and regional issues. They include ideas for new measures for forestry, environmental policy, energy, research and small and medium sized businesses. The paper is designed to stimulate debate on what options in Brussels acknowledge are at times the severe social and regional consequences of the more restrictive price policies of recent years and the reality of continued global food surpluses for the foreseeable future. Besides concentrating on the traditional rural areas of deprivation and depopulation (notably in the Mediterranean countries of the Community), the paper also envisages the direction of some of the new resources from the EC's enlarged Social and Regional funds to other regions more recently beset by rural economic decline. In particular, the Commission is keen to emphasise the importance of food processing (with correspondingly less concentration on primary agriculture), as well as helping rural areas to find other forms of economic activity such as tourism. The approach of the 1982 deadline for the inauguration of the community's so-called single market - and with it the likelihood that weaker rural areas will be vulnerable to the dismantling of trade barriers - is another important consideration for policymakers in Brussels. The ideas, however, are certain to provoke plenty of controversy over the coming few months. For instance, some ministers may be troubled by the Commission's eagerness to allow certain regions to promote their agricultural products through special quality labelling schemes - an initiative which could run counter to the ideal of a free internal market.

Potato board could face abolition

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government will not provide funds for the organisation of the country's potato market after 1991 but has opened consultations with the potato industry on what if any measures should replace those now in force. The move, which could imply the abolition of the Potato Marketing Board, comes at a time when the future of other monopoly agricultural marketing boards - most notably those involved with milk and wool - are under scrutiny. The UK is the only country in the European Community to give extensive support to potatoes. Some 6m to 7m tonnes, worth around £500m, are grown annually. The Potato Marketing Board controls the market through a series of basic devices: controls on acreage, with quotas for individual producers; market intervention in times of over supply based on a system of pre-season contracts; and supplementary support buying arrangements, known as the direct intervention system, which in the absence of pre-season contracts, allows the Board to intervene quickly to prevent local surpluses pulling down national prices. In a consultative document

issued this week by the agriculture ministry in London, the Government says it believes that the potato industry should now be ready to accept financial responsibility for its own affairs. It proposes to abolish the guaranteed arrangements under which it helps to fund the PMB's market intervention and administrative functions. Three possible alternatives are proposed: complete abolition of market support, including abolition of the Board, in favour of a free market; abolition of the area controls and quota powers of the PMB but retention by it of some market intervention, research and development and promotion and quality control; and the replacement of the PMB by a system which would have the same features as at present but would include representatives of non-producer interests. The annual value of retail sales of potatoes and potato products is some £2.5bn, or five times the value of raw potato production. Mr Arnold Hitchcock, PMB chairman, said earlier this week that the Board believed there were strong arguments for maintaining arrangements similar to those which

currently apply. Area control had been central to the stability of the potato industry and continued to be necessary to maintain investment, profitability and consumption, a Board statement said. However, the Government itself, many potato processors and some of the more efficient producers may well prefer a free market, or more nearly free market solution. The Government's consultative document notes that many of the conditions which led to the introduction of the potato control arrangements no longer exist. Investment in the industry in irrigation and storage, the increased specialisation and efficiency of production, the improvement of marketing and the development of added value outlets and increased importance of processed potato products had reduced the need for domestic control it said. As the document notes, the ending of import controls in 1979, together with the high domestic prices maintained by the Board, has sucked in imports from competitive producers within the EC and elsewhere who now supply nearly 10 per cent of the home market. Efficient potato producers believe that with lower prices

and the abolition of quotas they could compete for the market share, while processors would welcome cheaper supplies. The report also notes that abolition of the PMB and its powers would be consistent with the deregulatory approach which the Government has adopted in many other sectors of the economy. The Government has apparently not yet taken a decision on whether either the Milk Marketing Board or the Wool Marketing Board should be ultimately deregulated. In addition to controlling production and prices these Boards, unlike the PMB, are also virtual monopoly buyers of their products. However, under EC regulations, Britain will shortly be required to allow the import of fresh milk from other Community states, a move which some observers believe could signal the beginning of a deregulation process. A judgement of the European Court earlier this year required Britain to introduce regulations allowing such imports before January 1. "Potato Market Policy in Great Britain after 30 June 1991. Ministry of Agriculture, Fisheries and Food.

Sparks fly in aluminium dispute

John Murray Brown on a Japanese-Indonesian joint venture

THE FAMOUS description of aluminium, by Mr Ralph Nader, the US safety campaigner, as "congealed electricity", came to mind this week as sparks flew in the latest dispute at the Asahan aluminium plant, the Japanese-Indonesian joint venture which only 12 months ago was forced into a major corporate restructuring. Rising world input prices, improved plant efficiency and growing domestic demand for the metal has prompted the Indonesian partners to seek an increased proportion of the equity of the Japanese venture. Power is the single largest cost component in aluminium smelting, and the Indonesians claim their contribution in this area is inadequately reflected in the current output split. The issue came to a head last month following a Japanese decision to stop all aluminium shipments from the north Sumatran smelter, a move which trade officials in Tokyo said was a "clear breach of normal commercial practice". "What we want is a reasonable share which reflects Indonesia's contribution to the project," said Mr Abdul Ruz Samud, the Indonesian chairman of the Asahan Development Authority. Asahan is Indonesia's largest

foreign investment outside the oil and gas sector. An example of the first generation of Japanese overseas projects, the plant was one of five major aluminium operations relocated when Japan restructured its smelting industries in the wake of the dramatic hike in energy costs in the late 1970s. The project comprises South East Asia's largest smelter, with output capacity of 225,000 tonnes of aluminium a year, 59 per cent of which currently goes to Japan, in proportion to the equity of the Japanese partners. Power is provided by two hydro-electric stations with combined output of 603 Mw, driven by water from Lake Toba, a volcanic lake some 900 metres above sea level. Feasibility studies have already been completed for a further 352 Mw plant. The project has had more than its fair share of headaches. Earlier this year the company announced output reductions, "a dramatic drop" in Lake Toba's water level played havoc with Asahan's turbines at Tumpang and Sigura. Officials at PLN, Indonesia's state utility, complained when local industries and households, which rely on Asahan for power supply, found their electricity cut

this week. "The sharing system is clear if we speak in strictly business terms. But in this case we have to put our natural resource, our lake, as a stake in the project, which cannot be measured in money terms alone." A year ago Asahan was looking at cumulative losses of around \$150m, which if left uncorrected could have exceeded \$1bn within the decade. Last February, Japan's soft loan agency, the Overseas Economic Co-operation Fund, agreed a further \$24m cash injection to help ease the debt burden. Japanese banks, led by the Export-Import Bank, agreed to lower interest rates and restructured debt principal. In June the Indonesian partners completed the restructuring, raising their equity by 30 per cent. Increasingly, Indonesia's share capital to 41 per cent from 25 per cent. This year's \$80m operating profit, in the 12 months to March is largely put down to price rises, up more than 150 per cent, peaking at around \$9,000 a tonne. In a dispute which will avoid a protracted dispute, with aluminium prices still high and with the project in the black for the first time in its seven years of operation.

Aid 'boon' for US leather industry

By Nancy Dunne in Washington

MORE THAN \$3m in assistance from the US Agriculture Department, provided for this year and extended for 1983, is an "incredible boon" for the impoverished American tanning industry, according to Ms Barbara McMurray of the Leather Industries of America trade group in Washington. With the aid, provided under the department's \$110m Targeted Export Assistance Program, the trade group has sponsored shows and promotions in Korea, Taiwan, Italy, India and France, pushing US leather for use in shoes and jackets. US leather exports

rose 24 per cent last year. Ms McMurray views the USDA aid as a means to offset Japanese trade policies. She says these protect domestic, US-produced leather, which is later dumped in third markets. Under the TEA programme 46 US organisations have been listed for assistance next year, so that they can promote US agriculture exports. The aid is given in the form of certificates, which can be exchanged for commodities from government-owned stocks. The recipients generally hand the certificates over to brokers for redemption or accept bids from various grain trading houses. These often pay more than the face value of the certificates when supplies are tight. When the leather producers joined the programme last year, they were generally trading at 108 per cent of their nominal value. Supplies have eased, however, and they now fetch 101 per cent. To date, fruit and vegetable groups have had the most dramatic results from the programme, according to Mr Glen Tosi of the USDA. The California Walnut Commission, which is scheduled to get \$3m in this fiscal year, has also reported gains.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns: Commodity, Close, Previous, High/Low. Includes COCOA, RUBBER, and various oil products.

LONDON METAL EXCHANGES

Table with columns: Commodity, Close, Previous, High/Low. Includes ALUMINIUM, COPPER, and various metal products.

US MARKETS

Table with columns: Commodity, Close, Previous, High/Low. Includes CRUDE OIL, SOYABEAN, and various agricultural products.

Chicago

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYABEAN, WHEAT, and various grain products.

SPOT MARKETS

Table with columns: Commodity, Price, Change. Includes various oil products and other commodities.

SUGAR (per tonne)

Table with columns: Commodity, Close, Previous, High/Low. Includes various sugar products.

GRAIN (per tonne)

Table with columns: Commodity, Close, Previous, High/Low. Includes various grain products.

LONDON SHALLOON MARKET

Table with columns: Commodity, Price, Change. Includes various oil products.

FRUIT AND VEGETABLES

Table with columns: Commodity, Price, Change. Includes various fruit and vegetable products.

NEW YORK

Table with columns: Commodity, Price, Change. Includes various oil products.

LONDON METAL EXCHANGES TRADED OPTIONS

Table with columns: Commodity, Price, Change. Includes various metal products.

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WORLD STOCK MARKETS

Table of world stock markets including Austria, France, Germany, Netherlands, Sweden, Switzerland, and South Africa. Columns include stock names, prices, and changes.

CANADA

Table of Canadian stock markets including Toronto and Montreal. Columns include stock names, prices, and changes.

Table of Japanese stock markets including various Japanese companies and indices. Columns include stock names, prices, and changes.

OVER-THE-COUNTER

Table of over-the-counter stock markets including various international and domestic stocks. Columns include stock names, prices, and changes.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others. Columns include index names, values, and changes.

Advertisement for F.T. hand delivered in Germany. Text includes 'Have your F.T. hand delivered in Germany' and '12 ISSUES FREE'.

Table of New York active stocks including various US companies. Columns include stock names, prices, and changes.

Advertisement for Financial Times Europe's Business Newspaper. Text includes 'FINANCIAL TIMES Europe's Business Newspaper' and contact information.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices September 8

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and other financial data.

Continued on Page 45

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Just in time

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

3pm prices September 8

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Change.

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Change.

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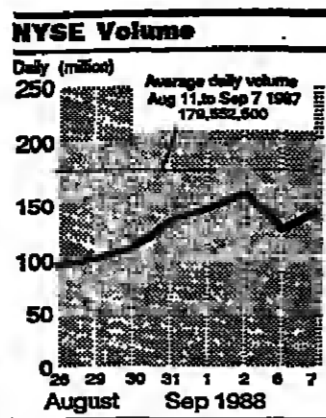
AMERICA

Investors await economic figures

Wall Street

BOTH equities and bonds yesterday settled into the narrow trading range also in evidence on Wednesday after their substantial rallies in the wake of last Friday's weaker-than-expected employment figures, writes Janet Dush in New York.

ria which erupted after last Friday's employment figures. Traders are now anxious for further evidence that the economy may be slowing down.



Interco dropped 1 1/2% to 70%. The company said the group, led by the Rales Brothers of Chicago, had not disclosed whether it had acquired the financing for its \$70-a-share offer.

EUROPE

Fillip from Wall Street fizzles out in low volume

IT WAS another day of sluggish trading in Europe yesterday, with most bourses ending little changed after Wall Street failed to follow up its sharp gains of last Friday and investors continued to show minimal enthusiasm for equities, writes Our Markets Staff.

London NERVOUSNESS sent London lower again, although Wall Street's steady opening brought some relief and kept international stock losses in check.

There was evidence of investors selling the stock short to buy the rights.

The lack of direction from New York and a weaker bond market helped set shares adrift in the latter part of the session.

up 2.5 at 352.1 and the OMF 50 index was 0.27 higher at 353.53.

ZURICH was quiet as investors stayed on the sidelines amid interest rate and currency concerns.

BMW gained a further DM2.50 to DM503.50 despite denials from the company that Siemens was seeking a large stake.

Paris was little changed after a fairly featureless session in which volumes failed to rise above recent weak levels.

MILAN was again very quiet, with the Comit index easing 2.27 to 516.14 in light volume.

Insurer Allianz was strong again, improving DM16 to DM1,550, while Metallgesellschaft, which fell heavily at the end of last month on news of production losses at its damaged zinc smelting plant, picked up DM6.40 to DM59.40.

STOCKHOLM paid little attention to services declines on leading world equity markets, closing slightly higher in moderate trade.

MADRID was depressed by a rise in Treasury bond rates, with the general index dropping 0.75 to 279.38.

Paris was little changed after a fairly featureless session in which volumes failed to rise above recent weak levels.

COPENHAGEN saw prices and volumes pick up in the market's last session using the open outcry trading system.

OSLO ended mixed after a lacklustre session as low North Sea oil prices continued to take their toll on oil stocks.

The opening CAC index was

Hesitation disarms defence stocks

In a decade or so, Japan could become an "important military power," Mr Henry Kissinger, the former US Secretary of State, warned in an article in early 1987.

Michio Nakamoto in Tokyo on why a market theme is not achieving its apparent potential

ties market," says Mr Kazumi Mizushima, general manager of the stock information department at Yamachi Securities.

Most analysts are sceptical about the sector and doubt that it will attract much investor interest in the near future.

There has been a general rise in defence-related stocks, but they tend to be short-lived.

The largest defence contractor, Mitsubishi Heavy, has gained 82 per cent to Y845, while Kawasaki Heavy Industries, the second largest defence contractor, has doubled to Y574.

Shares of Japan Aircraft Manufacturing, an aircraft body maker, declined over the past 12 months by 8 per cent to Y1,310.

Canada

RISES by industrial and utility stocks countered falls by gold and base metal issues in Toronto in mixed, middisession trading.

SOUTH AFRICA

SLIGHTLY higher bullion and precious metals prices in Europe helped Johannesburg gold stocks edge upwards in generally quiet trading.

ASIA PACIFIC

Nikkei climbs as interest rate concerns fade

Tokyo

BUYING interest spread in Tokyo yesterday as fears of higher interest rates evaporated, and the Nikkei average advanced strongly, writes Isao Nakajima of J.P. Press.

Steel, second with 59.5m shares, gained Y20 to Y715 temporarily, closing Y6 up at Y701.

trading, the key December contract advanced 11 points to 2,152 temporarily, but finished at the day's low of 2,140, off 1 point.

MOVEMENTS were again constrained by a lack of direction in Asia Pacific markets, and most eased in weak volumes.

Large-capital stocks continued to be actively traded, while selective buying spread to stocks with latent assets and to the construction sectors.

After opening higher, bond prices finished lower on increased profit-taking, mainly by dealers.

SINGAPORE saw both bargain-hunting and profit-taking in a generally lacklustre session, at the end of which share prices were little changed.

Market sources in Tokyo attributed the strong buying to brighter investment conditions.

In London, Japanese shares edged a little higher, as the ISE/Nikkei rose 3.20 to 1,792.62.

HONG KONG was taken lower by uncertainty over the market's direction, with the Hang Seng index falling 16.61 to 2,508.53.

Large-capital steel and shipbuilding stocks attracted interest, but selling increased when they reached certain price levels.

Active trading in Nisshin encouraged buying of Kawasaki Steel, which topped the active list on 78.11m shares.

TAIWAN dropped sharply amid concern that domestic interest rates were set to rise, and the weighted index plummeted by 206.68, or 2.5 per cent, to 7,783.82.

FT-ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Wednesday September 7 1988, Tuesday September 6 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan, and The World Index.

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